

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

|   |                               |  |                        |
|---|-------------------------------|--|------------------------|
| Local Government Type<br><input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other |                               | Local Government Name<br><b>Village of Sebewaing</b>         | County<br><b>Huron</b> |
| Audit Date<br><b>3/31/05</b>  | Opinion Date<br><b>8/2/05</b> | Date Accountant Report Submitted to State:<br><b>9/21/05</b> |                        |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:

|   | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations.                                   |          |                 | ✓            |
| Reports on individual federal financial assistance programs (program audits). |          |                 | ✓            |
| Single Audit Reports (ASLGU).   |          |                 | ✓            |

|  |  |                       |                        |
|--|--|-----------------------|------------------------|
| Certified Public Accountant (Firm Name)<br><b>Nietzke &amp; Faupel, P.C.</b> |  |                       |                        |
| Street Address<br><b>7274 Hartley Street</b>                                 |  | City<br><b>Pigeon</b> | State<br><b>MI</b>     |
| Accountant Signature<br><i>Brian Haged, CPA</i>                              |  | ZIP<br><b>48755</b>   | Date<br><b>9/20/05</b> |

**VILLAGE OF SEBEWAING  
SEBEWAING, MICHIGAN**

**FINANCIAL REPORT  
MARCH 31, 2005**

# **VILLAGE OF SEBEWAING, MICHIGAN**

## **TABLE OF CONTENTS**

|  | <b><u>PAGE<br/>NUMBER</u></b> |
|--|-------------------------------|
| <b>REPORT OF INDEPENDENT AUDITORS</b>  | i - ii                        |
| <b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>  | iii - vii                     |
| <b>BASIC FINANCIAL STATEMENTS</b>  | 1                             |
| Government-Wide Financial Statements:  |                               |
| Statement of Net Assets  | 2 – 3                         |
| Statement of Activities  | 4                             |
| Fund Financial Statements:   |                               |
| Balance Sheet – Governmental Funds   | 5                             |
| Reconciliation of Governmental Fund Balances to Governmental Activities<br>Net Assets  | 6                             |
| Statement of Revenue, Expenditures and Change in Fund Balance –<br>Governmental Funds  | 7                             |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in<br>Fund Balances of Governmental Funds to the Statement of Activities | 8                             |
| Statement of Net Assets – Proprietary Funds  | 9 - 10                        |
| Statement of Revenue, Expenses and Changes in Fund Net Assets –<br>Proprietary Funds   | 11                            |
| Statement of Cash Flows – Proprietary Fund   | 12 - 14                       |
| Notes to the Financial Statements  | 15 - 30                       |
| <b>REQUIRED SUPPLEMENTAL INFORMATION</b>   | 31                            |
| Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget<br>and Actual – General Fund  | 32 - 34                       |

## **VILLAGE OF SEBEWAING, MICHIGAN**

### **TABLE OF CONTENTS**

|  | <b><u>PAGE<br/>NUMBER</u></b> |
|--|-------------------------------|
| <b>SUPPLEMENTAL INFORMATION</b>  | <b>35</b>                     |
| Nonmajor Governmental Funds:   |                               |
| Combining Balance Sheet  | 36                            |
| Combining Statement of Revenue, Expenditures and Change in Fund Balance                  | 37                            |
| Major Street Fund:   |                               |
| Statement of Revenue, Expenditures and Change in Fund Balance – Budget and Actual        | 38 - 39                       |
| Local Street Fund:   |                               |
| Statement of Revenue, Expenditures and Change in Fund Balance – Budget and Actual        | 40 - 41                       |
| Street Fund:   |                               |
| Statement of Revenue, Expenditures and Change in Fund Balance – Budget and Actual        | 42                            |
| Proprietary Funds Types:   |                               |
| Statement of Revenue and Expenses – Budget and Actual – Sanitary Sewer Fund              | 43                            |
| Statement of Revenue and Expenses – Budget and Actual – M-25 Water and Sewer System Fund | 44                            |
| Statement of Revenue and Expenses – Budget and Actual – Internal Service Fund            | 45                            |
| Schedule of M-25 Sewer and Water Construction Bonds                                      | 46                            |

## REPORT OF INDEPENDENT AUDITORS

To The Honorable Village Council  
Village of Sebewaing  
Sebewaing, Michigan 48759

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Sebewaing, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Sebewaing, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Sebewaing, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended and interpreted, as of March 31, 2005.

The management's discussion and analysis and budgetary comparison information as listed in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

## **Report of Independent Auditors (Continued)**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Sebewaing, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Nietzke & Faupel, PC*

NIETZKE & FAUPEL, P.C.  
SEBEWAING, MICHIGAN

August 2, 2005

## VILLAGE OF SEBEWAING, MICHIGAN

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### Management's Discussion and Analysis March 31, 2005

This overview and analysis of the financial activities of the Village for the fiscal year ended March 31, 2005 is offered in conjunction with the Village's financial statements.

This overview also includes statements from the Sebewaing Light and Water Department as part of the Business-type activities.

#### **Financial Highlights**

- The combined assets of the Village exceeded its liabilities at the close of the fiscal year by \$15,058,225.
- The Village of Sebewaing's total net assets increased by \$241,730. The governmental activities increased by \$29,351 and the Business-type activities increased by \$212,379.
- At the close of the fiscal year, the Village's Governmental funds reported a combined ending fund balance of \$839,341. The combined net assets for the Business-type activities and the Internal Service Fund were \$13,464,297.

#### **Using This Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements by providing information about the Village's most significant funds.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the financial statements of the Village. The financial statements provide information about the activities of the Village as a whole and will present a long term view of the overall finances of the Village.

## VILLAGE OF SEBEWAING, MICHIGAN

### Management's Discussion and Analysis (Continued) March 31, 2005

#### The Village as a Whole

The table below shows the net assets, in a condensed format, as of the current date:

|                            | <b>Government</b>         | <b>Business-type</b>       |                            |
|----------------------------|---------------------------|----------------------------|----------------------------|
|                            | <b><u>Activities</u></b>  | <b><u>Activities</u></b>   | <b><u>Total</u></b>        |
| Current assets             | \$ 933,835                | \$ 6,484,602               | \$ 7,418,437               |
| Restricted assets          | 58,950                    | 1,534,099                  | 1,593,049                  |
| Net capital assets         | 865,537                   | 5,798,213                  | 6,663,750                  |
| Other assets               | <u>78,616</u>             | <u>12,747</u>              | <u>91,363</u>              |
| <b>Total assets</b>        | <b>1,936,938</b>          | <b>13,829,662</b>          | <b>15,766,600</b>          |
|                            |                           |                            |                            |
| Current liabilities        | 39,848                    | 251,285                    | 291,133                    |
| Long term debt             | <u>51,588</u>             | <u>365,654</u>             | <u>417,242</u>             |
| <b>Total liabilities</b>   | <b>91,436</b>             | <b>616,939</b>             | <b>708,375</b>             |
|                            |                           |                            |                            |
| Net assets:                |                           |                            |                            |
| Invested in capital assets | 865,537                   | 5,508,213                  | 6,373,750                  |
| Restricted                 | 58,950                    | 1,534,099                  | 1,593,049                  |
| Unrestricted               | <u>921,015</u>            | <u>6,170,411</u>           | <u>7,091,426</u>           |
| <b>Total net assets</b>    | <b><u>\$1,845,502</u></b> | <b><u>\$13,212,723</u></b> | <b><u>\$15,058,225</u></b> |

The Village's combined net assets increased from \$14,816,495 a year ago, to \$15,058,225.

Unrestricted net assets – the part of net assets that can be used to finance the day-to-day operations ended the fiscal year with a balance of \$921,015 for Governmental Activities.



# VILLAGE OF SEBEWAING, MICHIGAN

## Management's Discussion and Analysis (Continued) March 31, 2005

The following table shows the changes of the net assets during the current year:

|  | <b><u>Government<br/>Activities</u></b> | <b><u>Business-type<br/>Activities</u></b> | <b><u>Total</u></b>        |
|--|---|--|----------------------------|
| <b>Revenues:</b>                         |   |  |                            |
| Charges for services                     | \$ 84,378                               | \$ 3,145,415                               | \$ 3,229,793               |
| Operating grants and<br>contributions    | 1,036                                   | 9,000                                      | 10,036                     |
| Property taxes                           | 511,300                                 | 115,757                                    | 627,057                    |
| State shared revenues                    | 381,591                                 | 10,148                                     | 391,739                    |
| Investment earnings                      | 17,386                                  | 131,266                                    | 148,652                    |
| Miscellaneous                            | 39,266                                  | 25,253                                     | 64,519                     |
| Gain (loss) on sale of<br>capital assets | (6,051)                                 | 9,331                                      | 3,280                      |
| Transfers – net                          | <u>(36,593)</u>                         | <u>36,593</u>                              |                            |
| <b>Total revenues and transfers</b>      | <b><u>992,313</u></b>                   | <b><u>3,482,763</u></b>                    | <b><u>4,475,076</u></b>    |
| <b>Program expenses:</b>                 |   |  |                            |
| General government                       | 167,633                                 |  | 167,633                    |
| Public safety                            | 304,712                                 |  | 304,712                    |
| Highways & public<br>improvements        | 323,341                                 |  | 323,341                    |
| Sanitation                               | 68,240                                  |  | 68,240                     |
| Parks & recreation                       | 90,425                                  |  | 90,425                     |
| Sewer                                    |   | 231,343                                    | 231,343                    |
| Water & sewer projects                   |   | 32,100                                     | 32,100                     |
| Light & water                            |   | 3,006,941                                  | 3,006,941                  |
| Unallocated depreciation                 | <u>8,611</u>                            |  | <u>8,611</u>               |
| <b>Total expenses:</b>                   | <b><u>962,961</u></b>                   | <b><u>3,270,384</u></b>                    | <b><u>4,233,345</u></b>    |
| Change in net assets                     | <u>29,351</u>                           | <u>212,379</u>                             | <u>241,730</u>             |
| Net assets – beginning                   | 1,816,151                               | 13,000,344                                 | 14,816,495                 |
| <b>Net assets – end of year</b>          | <b><u>\$1,845,502</u></b>               | <b><u>\$13,212,723</u></b>                 | <b><u>\$15,058,225</u></b> |

## VILLAGE OF SEBEWAING, MICHIGAN

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### Management's Discussion and Analysis (Continued) March 31, 2005

#### **Governmental Activities**

As this is the first year of implementation for GASB No. 34, comparative information on a government-wide basis is not available for the year ended March 31, 2005. Comparative information will be presented in the Management's Discussion and Analysis for the period ending March 31, 2006. In the current year, comparative information will be discussed for the fund financial statements only.

#### **Business-type Activities**

The Village's business-type activities consist of the Light and Water, Sewer and M-25 Water and Sewer Funds. The Village provides electricity, water and sewer collection to its residents and to some Township residents by Village-owned and operated systems.

The Light and Water Fund had a net income of \$41,471 and its cash flow increased by over \$135,400. Revenues for the fund were up about 7.2%.

The Sewer Fund had a net income of \$152,673 on revenues of \$356,078. Revenues were up from the prior year due to a rate increase that was effective June 1, 2004. Cash flow for the Sewer Fund increased \$90,400 due mainly to operating activities.

#### **The Village's Funds**

Our analysis of the Village's major funds follows the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Village as a whole. The Village council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Village's major fund for the current year was the General Fund.

The General Fund pays for most of the Village's governmental services. The most significant are Public Safety, General Government, Public Services, and Parks and Recreation, which incurred expenses of approximately \$677,000 in the current fiscal year. These costs are funded by real and personal property taxes and other general revenue sources of the General Fund.

#### **General Fund Budgetary Highlights**

Overall, revenues in the General Fund fell short of the budget by \$58,500. This is primarily due to a decrease in the Village's state revenue sharing, which was \$40,000 less than the budgeted amount. Also, the charges for sanitation services were \$13,000 less than the budgeted amount due to a reduction in the contracted rate. Village departmental expenses in the General Fund overall spent less than budget projections by \$64,900.

#### **Capital Asset and Debt Administration**

As of March 31, 2005, the Village had a total of approximately \$6.6 million (net of depreciation) invested in a broad range of capital assets, including land, buildings, equipment and electric, water and sewer lines.

Bonded debt was reduced by \$25,000.

## VILLAGE OF SEBEWAING, MICHIGAN

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### **Management's Discussion and Analysis (Continued)** **March 31, 2005**

More detailed information concerning capital assets and long-term debt can be found in Notes 1 and 6, respectively, in the notes to the financial statements.

#### **Economic Factors and Next Year's Budgets and Rates**

Increasing the capacity of the Village's lagoon system is in the Village's future. With the capital cost of an additional cell to the system the Village's sewer rates were studied. The sewer rate structure was revised to a water consumption and ready to serve charge to customers of the sewer system instead of the unit charge that has been in place since 1972. With the added revenues from the monthly sewer charges, the 2.9904 mills (voted millage for operation) were not included on the Village's property taxes.

Street improvements in the Village's downtown area, around the Lapeer Metal Stamping plant, are expected to be concluded in November 2005. This project includes road improvements and curb and gutter. Also part of this project are improvements to the water lines, sewer system and electrical. Funding for this project is through a Michigan Department of Transportation Grant of \$900,030, a Community Development Block Grant from Michigan Economic Development Corporation of \$1,250,000 and local funds of \$280,000.

#### **Contacting the Village's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village Office, 108 W. Main Street, Sebewaing, Michigan 48759.

## **BASIC FINANCIAL STATEMENTS**

**VILLAGE OF SEBEWAING, MICHIGAN**

**STATEMENT OF NET ASSETS  
MARCH 31, 2005**

| <u>ASSETS</u>                             | <u>GOVERNMENTAL<br/>ACTIVITIES</u> | <u>BUSINESS-TYPE<br/>ACTIVITIES</u> | <u>TOTALS</u>     |
|---|------------------------------------|-------------------------------------|-------------------|
| Cash                                      | \$ 288,417                         | \$ 3,493,666                        | \$ 3,782,083      |
| Certificates of deposit                   | 302,000                            | 348,000                             | 650,000           |
| Investments                               | 230,808                            | 2,030,423                           | 2,261,231         |
| Investment in Sebewaing Harbor Commission | 78,616                             |                                     | 78,616            |
| Accounts receivable                       | 49,231                             | 195,403                             | 244,634           |
| Accrued interest receivable               | 695                                | 20,958                              | 21,653            |
| Inventory                                 |                                    | 377,347                             | 377,347           |
| Prepaid insurance                         | 46,515                             | 16,610                              | 63,125            |
| Internal balances                         | (2,197)                            | 2,197                               | -                 |
| Due from Harbor Commission                | 18,366                             |                                     | 18,366            |
| Restricted assets:                        |                                    |                                     |                   |
| Cash                                      | 17,277                             | 123,995                             | 141,272           |
| Certificates of deposit                   |                                    | 1,150,000                           | 1,150,000         |
| Investments                               | 41,673                             | 260,104                             | 301,777           |
| Nondepreciated capital assets             | 113,360                            | 255,277                             | 368,637           |
| Capital assets                            | 1,472,059                          | 11,814,047                          | 13,286,106        |
| Less accumulated depreciation             | (788,517)                          | (6,337,104)                         | (7,125,621)       |
| Construction in progress                  | 68,635                             | 65,993                              | 134,628           |
| Bond issue costs                          |                                    | 40,674                              | 40,674            |
| Less accumulated amortization             |                                    | (27,926)                            | (27,926)          |
| <b>TOTAL ASSETS</b>                       | <u>1,936,938</u>                   | <u>13,829,662</u>                   | <u>15,766,600</u> |

**VILLAGE OF SEBEWAING, MICHIGAN**

**STATEMENT OF NET ASSETS  
MARCH 31, 2005**

|   | <u>GOVERNMENTAL<br/>ACTIVITIES</u> | <u>BUSINESS-TYPE<br/>ACTIVITIES</u> | <u>TOTALS</u>        |
|---|------------------------------------|-------------------------------------|----------------------|
| <b>LIABILITIES:</b>                             |                                    |                                     |                      |
| Accounts payable                                | 29,519                             | 216,283                             | 245,802              |
| Due to other governments                        |                                    | 1,077                               | 1,077                |
| Accrued payroll taxes                           | 2,658                              | 3,416                               | 6,074                |
| Accrued payroll                                 | 7,671                              | 8,146                               | 15,817               |
| Compensated absences                            | 51,588                             | 75,654                              | 127,242              |
| Deferred revenue                                |                                    | 5,074                               | 5,074                |
| Customer deposits                               |                                    | 15,600                              | 15,600               |
| Payable from restricted assets:                 |                                    |                                     |                      |
| Accrued interest payable                        |                                    | 1,689                               | 1,689                |
| General obligation bonds payable                |                                    | 290,000                             | 290,000              |
| <b>TOTAL LIABILITIES</b>                        | <u>91,436</u>                      | <u>616,939</u>                      | <u>708,375</u>       |
| <b>NET ASSETS:</b>                              |                                    |                                     |                      |
| Invested in capital assets, net of related debt | 865,537                            | 5,508,213                           | 6,373,750            |
| Restricted for:                                 |                                    |                                     |                      |
| Debt service                                    |                                    | 72,347                              | 72,347               |
| Capital projects                                | 58,950                             | 1,461,752                           | 1,520,702            |
| Unrestricted                                    | 921,015                            | 6,170,411                           | 7,091,426            |
| <b>TOTAL NET ASSETS</b>                         | <u>\$ 1,845,502</u>                | <u>\$ 13,212,723</u>                | <u>\$ 15,058,225</u> |

**VILLAGE OF SEBEWAING, MICHIGAN**

**STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2005**

|   |                    | PROGRAM REVENUES        |  |  | NET (EXPENSE) REVENUES & CHANGES IN NET ASSETS |                             |                     |
|---|--------------------|-------------------------|--|--|--|-----------------------------|---------------------|
|   |                    | CHARGES FOR<br>SERVICES | OPERATING<br>GRANTS AND<br>CONTRIBUTIONS | CAPITAL<br>GRANTS AND<br>CONTRIBUTIONS | GOVERNMENTAL<br>ACTIVITIES                     | BUSINESS-TYPE<br>ACTIVITIES | TOTALS              |
| <b>EXPENSES</b>                             |                    |                         |  |  |  |                             |                     |
| <b>Governmental Activities:</b>             |                    |                         |  |  |  |                             |                     |
| General government                          | \$ 167,633         |                         | \$ 500                                   |  | \$ (167,133)                                   |                             | \$ (167,133)        |
| Public safety                               | 304,712            | \$ 357                  |  |  | (304,355)                                      |                             | (304,355)           |
| Highways and public improvements            | 323,341            | 8,791                   |  |  | (314,550)                                      |                             | (314,550)           |
| Sanitation                                  | 68,240             | 73,530                  |  |  | 5,290  |                             | 5,290               |
| Parks and recreation                        | 90,425             | 1,700                   | 536                                      |  | (88,189)                                       |                             | (88,189)            |
| Unallocated depreciation                    | 8,611              | -                       | -  | -                                      | (8,611)  |                             | (8,611)             |
| <b>Total governmental activities</b>        | <b>962,961</b>     | <b>84,378</b>           | <b>1,036</b>                             | <b>-</b>                               | <b>(877,548)</b>                               |                             | <b>(877,548)</b>    |
| <b>Business-Type Activities:</b>            |                    |                         |  |  |  |                             |                     |
| Sewer                                       | 231,343            | 251,192                 |  |  |  | \$ 19,849                   | 19,849              |
| Water & sewer projects                      | 32,100             | 8,190                   |  |  |  | (23,910)                    | (23,910)            |
| Light & water                               | 3,006,941          | 2,886,033               | 9,000                                    |  |  | (111,908)                   | (111,908)           |
| <b>Total business-type activities</b>       | <b>3,270,384</b>   | <b>3,145,415</b>        | <b>9,000</b>                             | <b>-</b>                               |  | <b>(115,969)</b>            | <b>(115,969)</b>    |
| <b>Total Government</b>                     | <b>\$4,233,345</b> | <b>\$ 3,229,793</b>     | <b>\$ 10,036</b>                         | <b>\$ -</b>                            | <b>(877,548)</b>                               | <b>(115,969)</b>            | <b>(993,517)</b>    |
| <b>General Revenue:</b>                     |                    |                         |  |  |  |                             |                     |
| Property taxes                              |                    |                         |  |  | 511,300  | 115,757                     | 627,057             |
| State shared revenues                       |                    |                         |  |  | 381,591  | 10,148                      | 391,739             |
| Unrestricted investment earnings            |                    |                         |  |  | 17,386   | 131,266                     | 148,652             |
| Miscellaneous                               |                    |                         |  |  | 39,266   | 25,253                      | 64,519              |
| Gain (loss) on sale of capital assets       |                    |                         |  |  | (6,051)  | 9,331                       | 3,280               |
| Transfers - net                             |                    |                         |  |  | (36,593)                                       | 36,593                      | -                   |
| <b>Total general revenues and transfers</b> |                    |                         |  |  | <b>906,899</b>                                 | <b>328,348</b>              | <b>1,235,247</b>    |
| <b>Change in net assets</b>                 |                    |                         |  |  | <b>29,351</b>                                  | <b>212,379</b>              | <b>241,730</b>      |
| <b>Net assets - beginning</b>               |                    |                         |  |  | <b>1,816,151</b>                               | <b>13,000,344</b>           | <b>14,816,495</b>   |
| <b>Net assets - ending</b>                  |                    |                         |  |  | <b>\$1,845,502</b>                             | <b>\$13,212,723</b>         | <b>\$15,058,225</b> |

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF SEBEWAING, MICHIGAN**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
MARCH 31, 2005**

|  | <u>GENERAL</u>    | <u>OTHER<br/>NONMAJOR<br/>GOVERNMENTAL<br/>FUNDS</u> | <u>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</u> |
|--|-------------------|--|---|
| <b><u>ASSETS</u></b>                           |                   |  |   |
| Cash   | \$ 162,724        | \$ 25,978  | \$ 188,702                              |
| Certificates of deposit                        | 164,000           | 138,000  | 302,000                                 |
| Investments                                    | 140,389           | 80,939   | 221,328                                 |
| Accounts receivable                            | 22,170            | 27,061   | 49,231                                  |
| Accrued interest receivable                    | 469               | 226  | 695                                     |
| Prepaid insurance                              | 27,605            | 12,107   | 39,712                                  |
| Due from Harbor Commission                     | 18,366            |  | 18,366                                  |
| Due from other funds                           |                   | 222  | 222                                     |
| Restricted assets:                             |                   |  |   |
| Cash   | 17,277            |  | 17,277                                  |
| Investments                                    | 41,673            |  | 41,673                                  |
| <b>TOTAL ASSETS</b>                            | <u>\$ 594,673</u> | <u>\$ 284,533</u>                                    | <u>\$ 879,206</u>                       |
| <b><u>LIABILITIES AND FUND BALANCES</u></b>    |                   |  |   |
| <b><u>LIABILITIES:</u></b>                     |                   |  |   |
| Accounts payable                               | \$ 7,874          | \$ 21,440  | \$ 29,314                               |
| Due to other funds                             |                   | 222  | 222                                     |
| Withheld and accrued payroll taxes             | 2,658             |  | 2,658                                   |
| Accrued payroll                                | 7,671             |  | 7,671                                   |
| <b>TOTAL LIABILITIES</b>                       | <u>18,203</u>     | <u>21,662</u>  | <u>39,865</u>                           |
| <b><u>FUND BALANCES:</u></b>                   |                   |  |   |
| Unrestricted, reported in:                     |                   |  |   |
| General Fund                                   | 517,520           |  | 517,520                                 |
| Special Revenue Funds                          |                   | 262,871  | 262,871                                 |
| Restricted, reported in:                       |                   |  |   |
| General Fund                                   | 58,950            |  | 58,950                                  |
| <b>TOTAL FUND BALANCES</b>                     | <u>576,470</u>    | <u>262,871</u>                                       | <u>839,341</u>                          |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <u>\$ 594,673</u> | <u>\$ 284,533</u>                                    | <u>\$ 879,206</u>                       |

The accompanying notes are an integral  
part of the financial statements.



**VILLAGE OF SEBEWAING, MICHIGAN**  
**RECONCILIATION OF GOVERNMENTAL FUND BALANCES**  
**TO GOVERNMENTAL ACTIVITIES NET ASSETS**  
**MARCH 31, 2005**

|  |                            |
|--|----------------------------|
| <b>Total governmental fund balances</b>  | <b>\$ 839,341</b>          |
| Amounts reported for governmental activities in the statement of activities are different because:   |                            |
| Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is \$1,654,054 less the accumulated depreciation of \$788,517. | 865,537                    |
| Internal service fund is not included in the governmental funds.   | 113,596                    |
| Investment in Sebewaing Harbor Commission (a joint venture) is not included in the governmental funds.   | 78,616                     |
| Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.  | (51,588)                   |
| <b>Net assets - governmental activities</b>  | <b><u>\$ 1,845,502</u></b> |

**VILLAGE OF SEBEWAING, MICHIGAN**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED MARCH 31, 2005**

|  | <u>GENERAL</u>    | <u>OTHER<br/>NONMAJOR<br/>GOVERNMENTAL<br/>FUNDS</u> | <u>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</u> |
|--|-------------------|--|---|
| <b>REVENUE:</b>  |                   |  |   |
| Taxes  | \$ 355,909        | \$124,213  | \$ 480,122                              |
| Licenses and permits   | 585               |  | 585                                     |
| Intergovernmental  | 229,380           | 201,960  | 431,340                                 |
| Fines  | 4,057             |  | 4,057                                   |
| Charges for services   | 73,530            |  | 73,530                                  |
| Miscellaneous  | <u>32,845</u>     | <u>9,335</u>   | <u>42,180</u>                           |
| <b>TOTAL REVENUE</b>   | <u>696,306</u>    | <u>335,508</u>                                       | <u>1,031,814</u>                        |
| <b>EXPENDITURES:</b>   |                   |  |   |
| Current:   |                   |  |   |
| General government   | 167,165           |  | 167,165                                 |
| Public safety  | 286,613           |  | 286,613                                 |
| Public services  | 139,193           |  | 139,193                                 |
| Highways and streets   |                   | 339,303  | 339,303                                 |
| Parks and recreation   | 52,815            |  | 52,815                                  |
| Capital outlay   | <u>31,289</u>     |  | <u>31,289</u>                           |
| <b>TOTAL EXPENDITURES</b>  | <u>677,075</u>    | <u>339,303</u>                                       | <u>1,016,378</u>                        |
| <b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>                                   | <u>19,231</u>     | <u>(3,795)</u>                                       | <u>15,436</u>                           |
| <b>OTHER FINANCING SOURCES (USES):</b>   |                   |  |   |
| Operating transfers in   | 11,000            | 141,000  | 152,000                                 |
| Operating transfers out  | <u>(36,592)</u>   | <u>(152,000)</u>                                     | <u>(188,592)</u>                        |
| <b>TOTAL OTHER FINANCING (USES)</b>  | <u>(25,592)</u>   | <u>(11,000)</u>                                      | <u>(36,592)</u>                         |
| <b>EXCESS OF REVENUE AND OTHER SOURCES<br/>(UNDER) EXPENDITURES AND OTHER (USES)</b> | <u>(6,361)</u>    | <u>(14,795)</u>                                      | <u>(21,156)</u>                         |
| <b>FUND BALANCE - BEGINNING</b>  | 582,831           | 277,666  | 860,497                                 |
| <b>FUND BALANCE - ENDING</b>   | <u>\$ 576,470</u> | <u>\$262,871</u>                                     | <u>\$ 839,341</u>                       |

**VILLAGE OF SEBEWAING, MICHIGAN**

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2005**

**Net change in fund balances - governmental funds** **\$ (21,156)**

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the  
Statement of Activities, assets with an initial, individual cost of more than  
\$1,000 are capitalized and the cost is allocated over their estimated useful  
lives and reported as depreciation expense. This is the amount by which  
capital outlays exceeded depreciation in the current period.

|                      |                 |        |
|----------------------|-----------------|--------|
| Capital outlays      | \$ 98,322       |        |
| Depreciation expense | <u>(52,455)</u> | 45,867 |

|   |        |
|---|--------|
| The net revenue of certain activities of internal service fund is reported with<br>governmental activities. | 16,460 |
|---|--------|

|   |         |
|---|---------|
| The increase in accrued compensated absences is not reported with<br>governmental activities. | (1,761) |
|---|---------|

|   |         |
|---|---------|
| Sales of capital assets are not recorded in the governmental funds. | (6,051) |
|---|---------|

|   |       |
|---|-------|
| Amount invested in Sebewaing Harbor Commission (a joint venture). | 7,401 |
|---|-------|

|   |          |
|---|----------|
| Equity method loss recognized from the Sebewaing Harbor Commission. | (11,409) |
|---|----------|

|  |                         |
|--|-------------------------|
| <b>Change in net assets of governmental activities</b> | <b><u>\$ 29,351</u></b> |
|--|-------------------------|

**VILLAGE OF SEBEWAING, MICHIGAN**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
MARCH 31, 2005**

|                                | <u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u> |  |   |                   | <u>GOVERNMENTAL<br/>ACTIVITIES -<br/>INTERNAL<br/>SERVICE FUND</u> |
|--------------------------------|--|--|---|-------------------|--|
|                                | <u>SANITARY<br/>SEWER</u>                          | <u>M-25 WATER<br/>AND<br/>SEWER SYSTEM</u> | <u>LIGHT AND<br/>WATER<br/>DEPARTMENT</u> | <u>TOTALS</u>     |  |
|                                |  |  |   |                   |  |
| <b>ASSETS</b>                  |  |  |   |                   |  |
| <b>CURRENT ASSETS:</b>         |  |  |   |                   |  |
| Cash                           | \$ 398,386   |  | \$ 3,095,280                              | \$ 3,493,666      | \$ 99,715  |
| Certificate of deposit         | 348,000  |  |   | 348,000           |  |
| Investments                    | 142,741  |  | 1,887,682                                 | 2,030,423         | 9,481  |
| Accounts receivable            | 38,538   | \$ 2,099                                   | 154,765                                   | 195,403           |  |
| Accrued interest receivable    | 1,180  |  | 19,778                                    | 20,958            |  |
| Inventory                      | 3,278  |  | 374,069                                   | 377,347           |  |
| Prepaid insurance              | 3,010  |  | 13,600                                    | 16,610            | 6,803  |
| <b>TOTAL CURRENT ASSETS</b>    | <u>935,132</u>                                     | <u>2,099</u>                               | <u>5,545,174</u>                          | <u>6,482,405</u>  | <u>115,998</u>   |
| <b>NONCURRENT ASSETS:</b>      |  |  |   |                   |  |
| Restricted assets              |  |  |   |                   |  |
| Cash                           | 60,717   | 63,278                                     |   | 123,995           |  |
| Certificates of deposit        | 150,000  |  | 1,000,000                                 | 1,150,000         |  |
| Investments                    | 87,827   | 172,277                                    |   | 260,104           |  |
| Capital assets                 | 2,418,302  | 419,844                                    | 9,297,171                                 | 12,135,317        | 450,310  |
| Less: accumulated depreciation | (1,399,087)  | (128,170)                                  | (4,809,847)                               | (6,337,104)       | (312,332)  |
| Bond issue costs               |  | 40,674                                     |   | 40,674            |  |
| Less: Accumulated amortization |  | (27,926)                                   |   | (27,926)          |  |
| <b>TOTAL NONCURRENT ASSETS</b> | <u>1,317,759</u>                                   | <u>539,976</u>                             | <u>5,487,324</u>                          | <u>7,345,060</u>  | <u>137,978</u>   |
| <b>TOTAL ASSETS</b>            | <u>2,252,891</u>                                   | <u>542,076</u>                             | <u>11,032,498</u>                         | <u>13,827,465</u> | <u>253,976</u>   |

**VILLAGE OF SEBEWAING, MICHIGAN**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
MARCH 31, 2005**

|   | <u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u> |  |   | <u>GOVERNMENTAL<br/>ACTIVITIES -<br/>INTERNAL<br/>SERVICE FUND</u> |
|---|--|--|---|--|
|   | <u>SANITARY<br/>SEWER</u>                          | <u>M-25 WATER<br/>AND<br/>SEWER SYSTEM</u> | <u>LIGHT AND<br/>WATER<br/>DEPARTMENT</u> |  |
| <b>LIABILITIES</b>  |  |  |   |  |
| <b>CURRENT LIABILITIES:</b>   |  |  |   |  |
| Accounts payable  | 1,250  |  | 215,033                                   | 205  |
| Due to other government   |  |  | 1,077                                     |  |
| Accrued payroll taxes   |  |  | 3,416                                     |  |
| Accrued payroll   | 1,614  |  | 6,532                                     |  |
| Deferred revenue  |  |  | 5,074                                     |  |
| Customer deposits   |  |  | 15,600                                    |  |
| Payable from restricted assets  |  |  |   |  |
| Accrued interest payable  |  | 1,689                                      |   | 1,689  |
| Bonds payable - Current   |  | 25,000                                     |   | 25,000   |
| <b>TOTAL CURRENT LIABILITIES</b>  | <u>2,864</u>                                       | <u>26,689</u>                              | <u>246,732</u>                            | <u>205</u>   |
| <b>NONCURRENT LIABILITIES:</b>  |  |  |   |  |
| Compensated absences  |  |  | 75,654                                    |  |
| Bonds payable   |  | 265,000                                    | 265,000                                   |  |
| <b>TOTAL NONCURRENT LIABILITIES</b>   |  | <u>265,000</u>                             | <u>75,654</u>                             |  |
| <b>TOTAL LIABILITIES</b>  | <u>2,864</u>                                       | <u>291,689</u>                             | <u>322,386</u>                            | <u>205</u>   |
| <b>NET ASSETS:</b>  |  |  |   |  |
| Invested in capital assets, net of related debt   | 1,019,215  | 1,674                                      | 4,487,324                                 | 137,978  |
| Restricted for:   |  |  |   |  |
| Debt service  |  | 72,347                                     |   | 72,347   |
| Capital projects  | 298,544  | 163,208                                    | 1,000,000                                 |  |
| Unrestricted  | 932,268  | 13,157                                     | 5,222,788                                 | 115,793  |
| <b>TOTAL NET ASSETS</b>   | <u>\$ 2,250,027</u>                                | <u>\$ 250,386</u>                          | <u>\$ 10,710,112</u>                      | <u>\$ 253,771</u>  |
| Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds |  |  | 2,197                                     |  |
| Net assets of business-type activities  |  |  | <u>\$ 13,212,723</u>                      |  |

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF SEBEWAING, MICHIGAN**

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS -  
PROPRIETARY FUNDS  
YEAR ENDED MARCH 31, 2005**

|   | <u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u> |  |   |                   | <u>GOVERNMENTAL<br/>ACTIVITIES -<br/>INTERNAL<br/>SERVICE FUND</u> |
|---|--|--|---|-------------------|--|
|   | <u>SANITARY<br/>SEWER</u>                          | <u>M-25 WATER<br/>AND<br/>SEWER SYSTEM</u> | <u>LIGHT AND<br/>WATER<br/>DEPARTMENT</u> | <u>TOTALS</u>     |  |
| <b>OPERATING REVENUE:</b>   |  |  |   |                   |  |
| Charges for services  | \$ 251,192   | \$ 8,190                                   | \$ 2,886,033                              | \$ 3,145,415      | \$ 101,284   |
| Current property taxes  | 99,812   |  | 15,945                                    | 115,757           |  |
| Intergovernmental   | 5,074  |  | 5,074                                     | 10,148            |  |
| <b>TOTAL OPERATING REVENUE</b>  | <u>356,078</u>                                     | <u>8,190</u>                               | <u>2,907,052</u>                          | <u>3,271,320</u>  | <u>101,284</u>   |
| <b>OPERATING EXPENSES:</b>  |  |  |   |                   |  |
| Salaries and wages  | 75,485   |  |   | 75,485            | 11,114   |
| Employee benefits   | 30,450   |  |   | 30,450            | 5,258  |
| Laboratory tests  | 4,821  |  |   | 4,821             |  |
| Operating supplies  |  |  |   |                   | 377  |
| Gas and oil   |  |  |   |                   | 9,740  |
| Audit fees  | 3,400  |  |   | 3,400             | 775  |
| Legal fees  | 125  |  |   | 125               |  |
| Printing and publishing   | 3,943  |  |   | 3,943             |  |
| Insurance   | 5,593  |  |   | 5,593             | 8,773  |
| Lift station expense  | 4,148  |  |   | 4,148             |  |
| Maintenance and repair  | 33,171   |  |   | 33,171            | 12,105   |
| Equipment rental  | 14,341   |  |   | 14,341            |  |
| Miscellaneous   | 1,351  |  |   | 1,351             |  |
| Depreciation  | 56,712   | 8,397                                      |   | 65,109            | 43,397   |
| Internet  |  |  | 49,490                                    | 49,490            |  |
| Production  |  |  | 1,732,641                                 | 1,732,641         |  |
| Distribution  |  |  | 368,432                                   | 368,432           |  |
| General and administrative  |  |  | 856,378                                   | 856,378           |  |
| <b>TOTAL OPERATING EXPENSES</b>   | <u>233,540</u>                                     | <u>8,397</u>                               | <u>3,006,941</u>                          | <u>3,248,878</u>  | <u>91,539</u>  |
| <b>OPERATING INCOME (LOSS)</b>  | <u>122,538</u>                                     | <u>(207)</u>                               | <u>(99,889)</u>                           | <u>22,442</u>     | <u>9,745</u>   |
| <b>NONOPERATING REVENUE (EXPENSES):</b>   |  |  |   |                   |  |
| Interest income   | 20,788   | 3,355                                      | 107,123                                   | 131,266           | 3,143  |
| Sale of fixed assets  | 9,331  |  |   | 9,331             | 5,769  |
| Miscellaneous   | 16   |  | 25,237                                    | 25,253            |  |
| Bond interest and fees  |  | (21,935)                                   |   | (21,935)          |  |
| Amortization  |  | (1,768)                                    |   | (1,768)           |  |
| <b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>  | <u>30,135</u>                                      | <u>(20,348)</u>                            | <u>132,360</u>                            | <u>142,147</u>    | <u>8,912</u>   |
| <b>INCOME (LOSS) BEFORE OTHER FINANCING<br/>SOURCES</b>   | <u>152,673</u>                                     | <u>(20,555)</u>                            | <u>32,471</u>                             | <u>164,589</u>    | <u>18,657</u>  |
| <b>OTHER FINANCING SOURCES:</b>   |  |  |   |                   |  |
| Operating transfer in   |  | 36,593                                     |   | 36,593            |  |
| Contributions   |  |  | 9,000                                     | 9,000             |  |
| <b>CHANGE IN NET ASSETS</b>   | <u>152,673</u>                                     | <u>16,038</u>                              | <u>41,471</u>                             | <u>210,182</u>    | <u>18,657</u>  |
| <b>TOTAL NET ASSETS - BEGINNING</b>   | 2,097,354  | 234,348                                    | 10,668,641                                |                   | 235,115  |
| <b>TOTAL NET ASSETS - ENDING</b>  | <u>\$ 2,250,027</u>                                | <u>\$ 250,386</u>                          | <u>\$ 10,710,112</u>                      |                   | <u>\$ 253,771</u>  |
| Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds |  |  |   | 2,197             |  |
| Net assets of business-type activities  |  |  |   | <u>\$ 212,379</u> |  |

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF SEBEWAING, MICHIGAN**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**YEAR ENDED MARCH 31, 2005**

|  | <u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u> |  |   |                  | <u>GOVERNMENTAL<br/>ACTIVITIES -<br/>INTERNAL<br/>SERVICE FUND</u> |
|--|--|--|---|------------------|--|
|  | <u>SANITARY<br/>SEWER</u>                          | <u>M-25 WATER<br/>AND<br/>SEWER SYSTEM</u> | <u>LIGHT AND<br/>WATER<br/>DEPARTMENT</u> | <u>TOTALS</u>    |  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                           |  |  |   |                  |  |
| Receipts from customers  | \$ 243,926   | \$ 8,016                                   | \$ 2,761,109                              | \$ 3,013,050     |  |
| Receipts from taxpayers  | 104,886  |  | 21,019                                    | 125,905          |  |
| Receipts from interfund services                                       | (57,862)   |  | (1,754,524)                               | (1,812,386)      | \$ 101,284   |
| Payments to suppliers of goods and services                            | (14,341)   |  | (508,276)                                 | (522,617)        | (29,595)   |
| Payments for interfund services  | (73,871)   |  | (244,663)                                 | (318,534)        | (11,114)   |
| Payments to employees  | (27,867)   |  |   |                  | (5,258)  |
| Payments for fringe benefits   | 174,871  | 8,016                                      | 274,665                                   | 457,552          | 55,317   |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                       |  |  |   |                  |  |
|  |  |  |   |                  |  |
| <b>CASH FLOWS FROM NONCAPITAL<br/>FINANCING ACTIVITIES:</b>            |  |  |   |                  |  |
| Operating transfers in   |  | 36,593                                     |   | 36,593           |  |
| <b>NET CASH PROVIDED BY NONCAPITAL<br/>FINANCING ACTIVITIES</b>        |  | <u>36,593</u>                              |   | <u>36,593</u>    |  |
|  |  |  |   |                  |  |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES:</b>   |  |  |   |                  |  |
| Principal paid on revenue bonds  |  | (25,000)                                   |   | (25,000)         |  |
| Interest and fees paid on bonds  |  | (22,079)                                   |   | (22,079)         |  |
| Acquisition of capital assets  | (87,830)   |  | (254,840)                                 | (342,670)        | (96,685)   |
| Increase in construction in progress                                   | (24,035)   |  |   | (24,035)         |  |
| Proceeds from sale of assets   | 9,331  |  |   | 9,331            | 5,769  |
| Contributed capital received   |  |  | 9,000                                     | 9,000            |  |
| <b>NET CASH (USED) BY CAPITAL AND<br/>RELATED FINANCING ACTIVITIES</b> | <u>(102,534)</u>                                   | <u>(47,079)</u>                            | <u>(245,840)</u>                          | <u>(395,453)</u> | <u>(90,916)</u>  |

**VILLAGE OF SEBEWAING, MICHIGAN**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
YEAR ENDED MARCH 31, 2005**

|  | <u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u> |  |   | <u>TOTALS</u>       | <u>GOVERNMENTAL<br/>ACTIVITIES -<br/>INTERNAL<br/>SERVICE FUND</u> |
|--|--|--|---|---------------------|--|
|  | <u>SANITARY<br/>SEWER</u>                          | <u>M-25 WATER<br/>AND<br/>SEWER SYSTEM</u> | <u>LIGHT AND<br/>WATER<br/>DEPARTMENT</u> |                     |  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                   |  |  |   |                     |  |
| Interest on investments  | 20,411   | 3,355                                      | 106,646                                   | 130,412             | 3,223  |
| (Increase) in short-term investments                           | (2,372)  | (2,240)                                    |   | (4,612)             | (98)   |
| <b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>               | <u>18,039</u>                                      | <u>1,115</u>                               | <u>106,646</u>                            | <u>125,800</u>      | <u>3,125</u>   |
| <b>NET INCREASE (DECREASE) IN CASH AND<br/>RESTRICTED CASH</b> | <u>90,376</u>                                      | <u>(1,355)</u>                             | <u>135,471</u>                            | <u>224,492</u>      | <u>(32,474)</u>  |
| <b>CASH AND RESTRICTED CASH - BEGINNING OF<br/>THE YEAR</b>    | 866,727  | 64,633                                     | 3,959,809                                 | 4,891,169           | 132,189  |
| <b>CASH AND RESTRICTED CASH - END OF THE YEAR</b>              | <u>\$ 957,103</u>                                  | <u>\$ 63,278</u>                           | <u>\$ 4,095,280</u>                       | <u>\$ 5,115,661</u> | <u>\$ 99,715</u>   |
| <b>Cash Reconciliation:</b>                                    |  |  |   |                     |  |
| Cash   | \$ 746,386   |  | \$ 3,095,280                              | \$ 3,841,666        | \$ 99,715  |
| Restricted cash  | <u>210,717</u>                                     | <u>\$ 63,278</u>                           | <u>1,000,000</u>                          | <u>1,273,995</u>    |  |
| <b>Total</b>   | <u>\$ 957,103</u>                                  | <u>\$ 63,278</u>                           | <u>\$ 4,095,280</u>                       | <u>\$ 5,115,661</u> | <u>\$ 99,715</u>   |



**VILLAGE OF SEBEWAING, MICHIGAN**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
YEAR ENDED MARCH 31, 2005**

|   | <u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u> |  |   | <u>GOVERNMENTAL<br/>ACTIVITIES -<br/>INTERNAL<br/>SERVICE FUND</u> |
|---|--|--|---|--|
|   | <u>SANITARY<br/>SEWER</u>                          | <u>M-25 WATER<br/>AND<br/>SEWER SYSTEM</u> | <u>LIGHT AND<br/>WATER<br/>DEPARTMENT</u> |  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |  |  |   |  |
| Operating income (loss)   | \$ 122,538   | \$ (207)                                   | \$ (99,889)                               | \$ 9,745   |
| Adjustments to reconcile operating income (loss)<br>to net cash provided by operating activities: |  |  |   |  |
| Depreciation  | 56,712   | 8,397                                      | 296,323                                   | 43,397   |
| Miscellaneous   | 16   |  | 23,823                                    |  |
| (Increase) decrease in current assets:  |  |  |   |  |
| Accounts receivable - Trade   | (7,267)  | (174)                                      | (103,906)                                 |  |
| Prepaid insurance   | 2,583  |  | 1,039                                     | 1,970  |
| Inventories   |  |  | (8,891)                                   |  |
| Increase (decrease) in current liabilities:   |  |  |   |  |
| Accounts payable  | (1,325)  |  | 153,879                                   | 205  |
| Due to other government   |  |  | 1,077                                     |  |
| Accrued salaries and wages  | 1,614  |  | 3,882                                     |  |
| Compensated absences  |  |  | 7,070                                     |  |
| Accrued payroll taxes   |  |  | 208                                       |  |
| Customer deposits   |  |  | 50  |  |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  | <u>\$ 174,871</u>                                  | <u>\$ 8,016</u>                            | <u>\$ 274,665</u>                         | <u>\$ 55,317</u>   |

The accompanying notes are an integral  
part of the financial statements.

## **VILLAGE OF SEBEWAING, MICHIGAN**

### **NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The Village of Sebewaing operates a Council-Mayor form of government under provisions of a revised charter dated May 18, 1965, and provides the following services as authorized by its charter: public safety, (police and inspection), highways and streets, sanitation, water, parks and recreation, public improvements, planning and zoning, and general administration.

The Village's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The accounting policies of the Village conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used by the Village are discussed below.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:
  - A Management Discussion and Analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operations.
  - Financial statements prepared using full accrual accounting for all of the Village's activities, including infrastructure (roads, bridges, etc.)
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Village has elected to implement the general provisions of the Statements in the current year.

#### **Reporting Entity:**

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB 14 pronouncement. The basic—but not the only—criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Village is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Village's reporting entity.

(Continued)

**VILLAGE OF SEBEWAING, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Reporting Entity: (Continued)**

**Included in the reporting entity:**

**Sebewaing Light and Water Department.** The Light and Water Department is an entity legally separate from the Village and is governed by a four-member board of commissioners made up of members of the Village Council. For financial reporting purposes, the Light and Water Department is included in the reporting entity of the Village as a blended component unit because its purpose is to provide electric and water utility service to the residents of the Village.

**Excluded from the reporting entity:**

**Unionville Sebewaing Area Schools.** This potential component unit has a separate elected board and provides educational services to residents of the Village as well as other surrounding areas. This unit is excluded from the reporting entity because the Village does not have the ability to exercise influence or control over its daily operations, approve budgets or provide funding.

**Sebewaing Harbor Commission.** The Village of Sebewaing along with Sebewaing Township created this separate legal entity for the purpose of planning, acquiring, constructing and operating a community harbor to provide recreational services to the residents of the Village and Township along with the general public. Each governing body appointed three members to create a six member Board of Commissioners. Based on the criteria for determining which component units to include in the reporting entity, the Village's management has excluded the Harbor Commission from the reporting entity of the Village. However, because of the financial interest and responsibility the Village and Township equally share for the Harbor Commission, the Harbor Commission is being treated as a joint venture between the Village of Sebewaing and the Sebewaing Township. The investment in the joint venture has been included in the government-wide statement of net assets and further disclosures related to the investment in the joint venture are included in Note 5.

**Government Wide and Fund Financial Statements:**

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Village's public safety and general administrative services are classified as governmental activities. The Village's water and sewer are classified as business-type activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

## **VILLAGE OF SEBEWAING, MICHIGAN**

### **NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)** **Government Wide and Fund Financial Statements: (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Village are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the Village.

**VILLAGE OF SEBEWAING, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)**

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The Village reports the following major governmental funds:

**General Fund**-The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

The Village reports the following major proprietary funds:

The **Sewer Fund** accounts for the activities of the Village's wastewater treatment operations.

The **Light & Water Fund** accounts for the activities of the Village's electric and water distribution systems.

The **M-25 Fund** accounts for the retirement of bonds used to finance the expansion of the Village's water and sewer system to the M-25 District.

Additionally, the Village reports the following nonmajor fund types:

**Special Revenue Funds** - Special Revenue Funds are used to account for the resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities. Accounting and financial reporting for General and Special Revenue Funds are identical. The Major Street Fund and the Local Street Fund are special revenue funds used to account for revenue from State Revenue Sharing. The Street Tax Fund is a special revenue fund used to account for revenue from a special tax assessed for street and sidewalk maintenance.

**Internal Service Funds (Equipment Rental Fund)** - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village, or to other governments, on a cost-reimbursement basis.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the utility enterprise fund and the Village's internal service fund are charges to customers for use of the system. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## **VILLAGE OF SEBEWAING, MICHIGAN**

### **NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

##### **Internal Service Funds (Equipment Rental Fund): (Continued)**

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

##### **Budgets and Budgetary Accounting:**

The Village Council practices the following procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the Village charter, prior to March 1, the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Village charter requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to March 31, the budget is legally enacted through passage of a resolution.
4. The Village Clerk is required by the Village charter to present a monthly report to the Village Council explaining any variance from the approved budget.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse at the end of each fiscal year.
8. The Village Council may authorize supplemental appropriations during the year.

##### **Cash and Cash Equivalents:**

Cash and cash equivalents of the Village include cash on hand and all deposits with financial institutions, including all certificates of deposit. Investments in U.S. Treasury Securities and approved municipal investment pools are excluded from cash and cash equivalents.

##### **Receivables and Payables:**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Other receivables at March 31, 2005 consist of state road taxes, and billings for user charged services, including trash collections and utility services. Trash and utility charges are deemed collectible in full.

## **VILLAGE OF SEBEWAING, MICHIGAN**

### **NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

##### **Property Taxes:**

Property taxes attach as an enforceable lien on property as of December 31. Village taxes are levied on the following July 1 and are payable without penalty through September 14. Village property tax revenue is recognized as revenue in the fiscal year levied to the extent that it is measurable and available in accordance with NCGA Interpretation 3 (Revenue Recognition - Property Taxes).

##### **Capital Assets:**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB 34. The Village has capitalized the current year's infrastructure, as required by GASB 34, and has reported the infrastructure in the Statement of Net Assets. The Village will not retroactively capitalize the major infrastructure assets acquired on or before March 31, 2004 as permitted by GASB 34.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u>                     | <u>Years</u> |
|-----------------------------------|--------------|
| Infrastructure                    | 15 to 50     |
| Buildings                         | 25 to 50     |
| Office equipment                  | 5 to 15      |
| Machinery and equipment           | 5 to 20      |
| Vehicles                          | 5 to 8       |
| Improvements other than buildings | 20           |

## VILLAGE OF SEBEWAING, MICHIGAN

### NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

##### **Capital Assets: (Continued)**

Depreciation of capital assets used by governmental funds is charged as an expense against their operations on the Statement of Activities. Accumulated depreciation is reported on the governmental Statement of Net Assets. Depreciation expense for the year ended March 31, 2005, was \$52,455. Capital asset acquisitions in the governmental funds totaled \$98,322 and asset disposals totaled \$22,691 for the year ended March 31, 2005. A summary of Governmental Fund capital assets at March 31, 2005, follows:

|   |                          |
|---|--------------------------|
| Land  | \$ 113,360               |
| Land improvements                           | 295,444                  |
| Buildings                                   | 470,807                  |
| Vehicles                                    | 63,381                   |
| Equipment                                   | 181,542                  |
| Internal Service Fund assets                | 450,310                  |
| Construction in progress                    | 68,635                   |
| Other infrastructure                        | <u>10,575</u>            |
| Total capital assets                        | 1,654,054                |
| Less accumulated depreciation               | <u>788,517</u>           |
| <b>Net governmental fund capital assets</b> | <b><u>\$ 865,537</u></b> |

Depreciation of capital assets used by business-type funds is charged as an expense against their operations. Accumulated depreciation is reported on business-type fund balance sheets. Depreciation expense for the year ended March 31, 2005 was \$361,432. Capital asset acquisitions in the business-type funds totaled \$351,869 and asset disposals totaled \$167,578 for the year ended March 31, 2005. A summary of Business-Type Fund capital assets at March 31, 2005, follows:

|  |                            |
|--|----------------------------|
| Land   | \$ 255,277                 |
| Land improvements                            | 74,950                     |
| Buildings                                    | 1,294,627                  |
| Equipment                                    | 256,598                    |
| Electric system                              | 5,379,310                  |
| Water system                                 | 2,488,937                  |
| Sewer collection system                      | 2,244,585                  |
| Roads and fencing                            | 75,040                     |
| Construction in progress                     | <u>65,993</u>              |
| Total capital assets                         | 12,135,317                 |
| Less accumulated depreciation                | <u>6,337,104</u>           |
| <b>Net business-type fund capital assets</b> | <b><u>\$ 5,798,213</u></b> |



**VILLAGE OF SEBEWAING, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Capital Assets: (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

|   |                  |
|---|------------------|
| Governmental activities:                              |                  |
| Public safety   | \$15,116         |
| Highways and public improvements                      | 3,653            |
| Parks and recreation                                  | 25,075           |
| Unallocated   | <u>8,611</u>     |
| Total depreciation expense – governmental activities  | <u>\$52,455</u>  |
| Business-type activities:                             |                  |
| Sewer   | \$ 56,712        |
| Light and water                                       | 296,323          |
| Water and sewer projects                              | <u>8,397</u>     |
| Total depreciation expense – business-type activities | <u>\$361,432</u> |

**Compensated Absences:**

Village and Light and Water Department employees are allowed to accumulate a maximum of one hundred twenty days of sick leave. In the event of death, termination of employment, or retirement of an employee, one-half of sick leave accumulation is paid to the employee at his current rate of pay. Unused sick leave in excess of one hundred twenty days is paid annually at one-half of regular pay rate. There is no accumulation of unused vacation days allowed. The Village accrues a liability for compensated absences based on the estimate of accumulated sick leave that will be paid to its employees upon termination of employment in accordance with the requirements of GASB Statement 16. For governmental funds, the liability for compensated absences is recorded in the government-wide statement of net assets since it is anticipated that none of the liability will be liquidated with expendable available financial resources. The liability for compensated absences is recorded in proprietary fund types as an accrued liability in accordance with GASB Statement 16.

**Long-Term Obligations:**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**VILLAGE OF SEBEWAING, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Use of Estimates:**

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 - BUDGET COMPLIANCE:**

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Village's expenditures and budgeted expenditures for the budgetary funds have been shown on a line item basis. The approved budgets of the Village for these budgetary funds were adopted at the department head/function level.

During the year ended March 31, 2005, the following expenditures were in excess of the amounts appropriated for the year:

|                               | <b><u>Budget</u></b> | <b><u>Actual</u></b> | <b><u>Variance</u></b> |
|-------------------------------|----------------------|----------------------|------------------------|
| <b>General Fund:</b>          |                      |                      |                        |
| General government            | \$166,600            | \$167,165            | \$ 565                 |
| Public safety                 | 270,350              | 286,613              | 16,263                 |
| Operating transfers out       | 34,000               | 36,592               | 2,592                  |
| <b>Special Revenue Funds:</b> |                      |                      |                        |
| <b>Major Street:</b>          |                      |                      |                        |
| Routine maintenance           | 89,000               | 91,775               | 2,775                  |
| Preservation of streets       |                      | 43,401               | 43,401                 |
| Winter maintenance            | 22,000               | 23,543               | 1,543                  |
| Administration                | 24,650               | 24,707               | 57                     |
| <b>Local Street:</b>          |                      |                      |                        |
| Preservation of streets       | 21,000               | 25,234               | 4,234                  |
| Administration                | 24,000               | 24,879               | 879                    |

**NOTE 3 - CASH, CERTIFICATES OF DEPOSIT AND INVESTMENTS:**

The carrying amount of cash and deposits with financial institutions of the Village of Sebewaing amounted to \$5,723,355 at March 31, 2005. The total bank balance as of the same date was \$5,810,846. Deposits with financial institutions are categorized as follows:

|  | <b><u>March 31, 2005</u></b> |
|--|------------------------------|
| Amount insured by the FDIC                 | \$2,494,555                  |
| Uncollateralized                           | 3,316,291                    |
| Total deposits with financial institutions | <u>\$5,810,846</u>           |

## VILLAGE OF SEBEWAING, MICHIGAN

### NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

#### **NOTE 3 - CASH, CERTIFICATES OF DEPOSIT AND INVESTMENTS: (CONTINUED)**

The portion of the total deposits categorized as uncollateralized which is the property of the Village of Sebewaing is \$793,645, and \$2,522,646 is the property of the Sebewaing Light and Water Department, an Enterprise Fund.

The carrying amount of cash and deposits, which were restricted or designated for specific purposes as of March 31, 2005, amounted to \$1,291,272. Cash and deposits were restricted or designated for the following purposes:

|  | <b>March 31,<br/>2005</b> |
|--|---------------------------|
| Village beautification   | \$ 6,285                  |
| Police vehicle replacement   | 4,176                     |
| Parks equipment  | 4,264                     |
| Scheiwe bell tower   | 582                       |
| Playscape  | 1,970                     |
| Retirement of general obligation sanitary sewer bonds and to<br>extend, enlarge and improve the sewer system | 273,995                   |
| Building and equipment replacement for the Light and<br>Water Department                                     | <u>1,000,000</u>          |
| <b>Total restrictions on deposits</b>  | <b><u>\$1,291,272</u></b> |

Michigan Compiled Laws Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Village's deposits are in accordance with statutory authority. The Village has authorized management to deposit and invest in the accounts of federally insured banks and savings and loan associations within the State of Michigan and bonds, securities and other obligations of the United States, or any agency of the United States in which the principal and interest is fully guaranteed by the United States. The Village's deposits and investments are within the authorization as set forth by the Village of Sebewaing.

#### **Investments:**

At March 31, 2005, the Sebewaing Light and Water Department held investments of \$1,900,000 in U.S. Treasury Securities with a carrying amount of \$1,887,682, which approximates the market value. The Light and Water Department owns the U.S. Treasury Securities directly and has purchased the securities through a "Treasury Direct" account with the Federal Reserve Bank of Chicago. Therefore, the investment would be classified as a Category 1 investment (Insured or registered, with securities held by the Department or its agent in the Department's name).

## VILLAGE OF SEBEWAING, MICHIGAN

### NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

#### **NOTE 3 - CASH, CERTIFICATES OF DEPOSIT AND INVESTMENTS: (CONTINUED)**

Also at March 31, 2005, Huron County, Michigan held investments in a Municipal Investment Pool for the Village of Sebewaing's Sanitary Sewer Fund's D.P.W. Sewer Construction Fund. The carrying amount of the Village's portion of the investment in the investment pool was \$163,203, which approximates market value. The Village also invested its own funds in a municipal investment pool separate from Huron County, Michigan during the year ended March 31, 2005. The balance in the Village's municipal investment pool at March 31, 2005, was \$512,122. Of these investments, \$301,777 has been restricted for the following purposes:

|  |                  |
|--|------------------|
| New office building                                      | \$ 41,673        |
| Sewer system replacement                                 | 87,827           |
| Sewer system construction                                | 163,203          |
| Redemption of M-25 Sewer and Water<br>Construction Bonds | <u>9,074</u>     |
| Total restrictions on investments                        | <u>\$301,777</u> |

#### **NOTE 4 - INVENTORIES:**

Inventories are stated at cost determined on the first-in, first-out method. Inventories consisted of the following:

|                               | <b>March 31,<br/>2005</b> |
|-------------------------------|---------------------------|
| <b>Light Department:</b>      |                           |
| Poles, towers, fixtures       | \$ 21,009                 |
| Line material                 | 112,339                   |
| Line transformers             | 142,860                   |
| Meters                        | 7,584                     |
| Street lighting               | 7,430                     |
| Customer service – Lamps      | 4,313                     |
| Office supplies               | 600                       |
| Lamps – Resale                | 10,504                    |
| Fuel oil, lubricants          | 17,212                    |
| Internet                      | 1,868                     |
| Customer service – Material   | <u>1,500</u>              |
| <b>Total Light Department</b> | <u>327,219</u>            |
| <b>Water Department:</b>      |                           |
| Distribution mains, services  | 9,294                     |
| Fire hydrants                 | 6,907                     |
| Meters                        | 11,656                    |
| Maintenance supplies          | 18,643                    |
| Office supplies               | <u>350</u>                |
| <b>Total Water Department</b> | <u>46,850</u>             |
| <b>Sanitary Sewer Fund:</b>   |                           |
| Pipes, manhole covers, etc.   | 3,278                     |
| <b>Total Inventory</b>        | <u>\$377,347</u>          |

(Continued)

**VILLAGE OF SEBEWAING, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2005**

**NOTE 5 - INVESTMENT IN JOINT VENTURE:**

As described in Note 1, included in the Statement of Net Assets is the amount of \$78,616, which represents the Village's investment in the Sebewaing Harbor Commission. The Sebewaing Harbor Commission is being treated as a joint venture because the Village shares equal financial and oversight responsibility with Sebewaing Township. The investment in the Sebewaing Harbor Commission is being accounted for using the equity method of accounting. The following is a condensed balance sheet of the Sebewaing Harbor Commission as of March 31, 2005:

|   |                         |
|---|-------------------------|
| <b>Assets:</b>                          |                         |
| Cash                                    | \$ 823                  |
| Due from Sebewaing Township             | 975                     |
| Capital assets                          | 103,340                 |
| Marina lease - net                      | <u>70,683</u>           |
| <b>Total Assets</b>                     | <b><u>\$175,821</u></b> |
| <b>Liabilities:</b>                     |                         |
| Due to Village of Sebewaing             | \$18,366                |
| Deferred revenue                        | <u>221</u>              |
| <b>Total Liabilities</b>                | <b><u>18,587</u></b>    |
| <b>Net Assets:</b>                      |                         |
| Investment in capital assets            | 103,340                 |
| Unrestricted                            | <u>53,894</u>           |
| <b>Total Liabilities and Net Assets</b> | <b><u>\$175,821</u></b> |

The Village of Sebewaing and Sebewaing Township on an equal basis formed the Sebewaing Harbor Commission to construct a marina. The Sebewaing Harbor Commission owned the land and received annual lease payments from the operator of the marina facility. The construction of the marina was financed by grants from the State of Michigan.

The Village advanced funds to the Harbor Commission which were used for the purchase of land at the proposed site of the marina. As of March 31, 2005, the amount due to the Village of Sebewaing from the Sebewaing Harbor Commission amounted to \$18,366. Also, an amount due to the Sebewaing Harbor Commission from Sebewaing Township amounted to \$975.

During the year ended March 31, 2004, the Sebewaing Harbor Commission purchased the marina operating lease from the private operator of the marina. For the year ended March 31, 2005, the marina was run by the Sebewaing Harbor Commission.

# **VILLAGE OF SEBEWAING, MICHIGAN**

## **NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005**

### **NOTE 6 - LONG-TERM DEBT:**

The following is a summary of long-term debt transactions of the Village for the year ended March 31, 2005:

|                                    | <b>COMPENSATED<br/>ABSENCES</b> | <b>M-25 SEWER<br/>AND WATER<br/>CONSTRUCTION<br/>BONDS</b> |
|------------------------------------|---------------------------------|--|
| <b>Balance, March 31, 2004</b>     | \$118,411                       | \$315,000  |
| Bonds retired                      |                                 | (25,000)   |
| Net change in compensated absences | <u>7,070</u>                    |  |
| Total                              | 125,481                         | <u>290,000</u>   |
| Less: Current portion              |                                 | <u>(25,000)</u>  |
| <b>Balance, March 31, 2005</b>     | <u><b>\$125,481</b></u>         | <u><b>\$265,000</b></u>                                    |

Details of the Village of Sebewaing's long-term debt as of March 31, 2005, are as follows:

On June 1, 1989, Huron County issued bonds totaling \$525,000 for the Village of Sebewaing for the purpose of defraying the cost of acquiring and constructing sanitary sewer and water lines along M-25 from Sebewaing Road south approximately 2,800 feet. The bonds shall be known as "Sebewaing M-25 Water and Sanitary Sewer System Bonds" and shall mature on September 1, 1990 and each September 1 thereafter until fully paid. The bonds shall bear interest payable September 1, 1989 and each March 1 and September 1 thereafter until maturity. The bonds final maturity date is September 1, 2012. The interest rates on the bonds range from 6.65% to 9.5% per annum, depending on maturity dates of the individual bonds. Bonds maturing on or after September 1, 2002 shall be subject to redemption in whole or in part on any interest payment date on or after September 1, 2001 in any order, at the option of the County, at par, plus accrued interest, plus a premium, if any, stated as a percentage of the face amount, as follows:

If redeemed on or after September 1, 2001, but before September 1, 2006: 2%

If redeemed on or after September 1, 2006, but before September 1, 2011: 1%

Bonds maturing on or after September 1, 2011 shall be subject to redemption without a premium.

|   |                         |
|---|-------------------------|
| <b>Total Bonded Debt Outstanding</b>          | <u>290,000</u>          |
| <b>Less: Current Portion of Bonds</b>         | <u>(25,000)</u>         |
| <b>Total Long-Term Portion of Bonded Debt</b> | <u><b>\$265,000</b></u> |

## VILLAGE OF SEBEWAING, MICHIGAN

### NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

#### **NOTE 6 - LONG-TERM DEBT: (CONTINUED)**

Long-term Debt Service requirements excluding compensated absences at March 31, 2005 are as follows:

|                     | <u>TOTAL</u>            | <u>PRINCIPAL</u>        | <u>INTEREST</u>         |
|---------------------|-------------------------|-------------------------|-------------------------|
| Year Ending 3/31/06 | \$ 44,678               | \$ 25,000               | \$ 19,678               |
| 3/31/07             | 47,745                  | 30,000                  | 17,745                  |
| 3/31/08             | 50,454                  | 35,000                  | 15,454                  |
| 3/31/09             | 52,810                  | 40,000                  | 12,810                  |
| 3/31/10             | 49,980                  | 40,000                  | 9,980                   |
| 3/31/11 to 3/31/13  | <u>132,860</u>          | <u>120,000</u>          | <u>12,860</u>           |
| <b>Totals</b>       | <b><u>\$378,527</u></b> | <b><u>\$290,000</u></b> | <b><u>\$ 88,527</u></b> |

Total interest incurred amounted to \$21,284 for the year ended March 31, 2005, all of which was charged to expense.

#### **NOTE 7 - RETIREMENT SYSTEM - MERS OPERATED:**

##### **Pension Plan:**

**Plan Description:** The Village of Sebewaing participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the Village. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 447 N. Canal Road, Lansing, Michigan 48917.

**Funding Policy:** The obligation to contribute to and maintain the system for these employees was established by state statutes and requires a contribution from the employees of 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200.

**Annual Pension Cost:** For the year ended March 31, 2005, the Village's annual pension cost of \$84,475 for the plan was equal to the Village's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) 2 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 3%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis.

## **VILLAGE OF SEBEWAING, MICHIGAN**

### **NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005**

#### **NOTE 7 - RETIREMENT SYSTEM - MERS OPERATED: (CONTINUED)**

Three year trend information:

|   | <b><u>Fiscal year ended December 31,</u></b> |                    |                    |
|---|--|--------------------|--------------------|
|   | <b><u>2002</u></b>                           | <b><u>2003</u></b> | <b><u>2004</u></b> |
| Annual pension cost                     | \$ 40,557                                    | \$ 47,727          | \$ 75,967          |
| Percentage of APC contributed           | 100%   | 100%               | 100%               |
| Net pension obligation                  | -0-  | -0-                | -0-                |
| Actuarial value of assets               | 3,856,702                                    | 3,957,174          | 4,065,945          |
| Actuarial Accrued Liability (entry age) | 4,521,390                                    | 4,914,142          | 5,323,901          |
| Unfunded AAL                            | 664,668                                      | 956,968            | 1,257,956          |
| Funded ratio                            | 85%  | 81%                | 76%                |
| Covered payroll                         | 837,974                                      | 824,473            | 828,818            |
| UAAL as a percentage of covered payroll | 79%  | 116%               | 152%               |

#### **NOTE 8 - DEFERRED COMPENSATION:**

Employees of the Village of Sebewaing may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans With Respect To Service For State and Local Governments).

The deferred compensation plan is available to all employees of the Village. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. The deferred compensation plan is administered by an unrelated financial institution.

#### **NOTE 9 - CONTINGENT LIABILITIES:**

The Village is a reimbursing employer for purposes of unemployment insurance claims against the Village. The Village reimburses the State of Michigan for all benefits charged against it in the event of termination of employment and subsequent claims of its employees. Because an estimate cannot be made, the contingent liability for unemployment insurance claims is not recognized in the accompanying financial statements. This expense is recognized as incurred.

The Village has been notified that certain residents in the Hickory Court subdivision have made a claim that there has been a breach of the agreement regarding the provision of sanitary sewer service to the subdivision. The Village intends to defend the claim, but an estimate of the potential liability to the Village can not be made at this time. The Village has been advised that it is probable that there will be insurance coverage related to this claim.



## **VILLAGE OF SEBEWAING, MICHIGAN**

### **NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005**

#### **NOTE 10 - RELATED PARTY TRANSACTIONS:**

As a matter of convenience, the Sebewaing Light and Water Department collects sewer, trash and fines billed by the Village of Sebewaing along with its own electric and water utility billings from customers. The collections for sewer, trash and fine charges are then periodically transferred to the Village's accounts. During the year ended March 31, 2005, the Village's General and Sanitary Sewer Funds paid \$35,534 to the Light and Water Department for electric service for street lighting and lift station operation.

#### **NOTE 11 - RISK MANAGEMENT:**

##### **General Liability:**

Village of Sebewaing participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$8.6 million for real and personal property losses and \$5 million for liability losses. Village of Sebewaing is required to pay annual premiums to the Michigan Municipal Liability and Property Pool for the liability coverage. No supplemental premium assessment is required by the Michigan Municipal Liability and Property Pool. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

##### **Workers' Compensation:**

Village of Sebewaing purchased commercial insurance coverage for losses related to workers' compensation claims.

##### **Employee Health Care:**

Village of Sebewaing purchased commercial insurance coverage for its employees and their dependents.

**REQUIRED SUPPLEMENTAL INFORMATION**

**VILLAGE OF SEBEWAING, MICHIGAN**

**GENERAL FUND  
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2005**

|  | <u>ORIGINAL<br/>BUDGET</u> | <u>FINAL<br/>BUDGET</u> | <u>ACTUAL</u>  | <u>VARIANCE WITH<br/>FINAL BUDGET -<br/>FAVORABLE<br/>(UNFAVORABLE)</u> |
|--|----------------------------|-------------------------|----------------|---|
| <b>REVENUE:</b>                          |                            |                         |                |   |
| Taxes                                    | \$ 363,375                 | \$ 363,375              | \$ 355,909     | \$ (7,466)  |
| Licenses and permits                     | 300                        | 300                     | 585            | 285   |
| Intergovernmental                        | 269,745                    | 269,745                 | 229,380        | (40,365)  |
| Fines                                    | 2,000                      | 2,000                   | 4,057          | 2,057   |
| Charges for services                     | 87,210                     | 87,210                  | 73,530         | (13,680)  |
| Miscellaneous                            | 32,238                     | 32,238                  | 32,845         | 607   |
| <b>TOTAL REVENUE</b>                     | <u>754,868</u>             | <u>754,868</u>          | <u>696,306</u> | <u>(58,562)</u>   |
| <b>EXPENDITURES:</b>                     |                            |                         |                |   |
| <b>General government:</b>               |                            |                         |                |   |
| <b>Legislative:</b>                      |                            |                         |                |   |
| Salaries                                 | 18,720                     | 18,720                  | 18,227         | 493   |
| Fringe benefits                          | 1,435                      | 1,435                   | 965            | 470   |
| <b>Total legislative</b>                 | <u>20,155</u>              | <u>20,155</u>           | <u>19,193</u>  | <u>962</u>  |
| <b>Elections:</b>                        |                            |                         |                |   |
| Salaries                                 | 660                        | 660                     | -              | 660   |
| Supplies                                 | 1,000                      | 1,000                   | 173            | 827   |
| <b>Total elections</b>                   | <u>1,660</u>               | <u>1,660</u>            | <u>173</u>     | <u>1,487</u>  |
| <b>Financial and administration:</b>     |                            |                         |                |   |
| Salaries                                 | 59,605                     | 59,605                  | 57,795         | 1,810   |
| Fringe benefits                          | 22,950                     | 22,950                  | 26,118         | (3,168)   |
| Supplies                                 | 2,500                      | 2,500                   | 2,425          | 75  |
| Postage                                  | 2,500                      | 2,500                   | 1,885          | 615   |
| Professional services                    | 16,200                     | 16,200                  | 16,570         | (370)   |
| Telephone                                | 2,500                      | 2,500                   | 2,451          | 49  |
| Transportation                           | 1,000                      | 1,000                   | 1,460          | (460)   |
| Promotions                               | 5,500                      | 5,500                   | 5,295          | 205   |
| Printing and publishing                  | 8,500                      | 8,500                   | 8,781          | (281)   |
| Insurance                                | 1,600                      | 1,600                   | 2,088          | (488)   |
| Repairs and maintenance                  | 4,000                      | 4,000                   | 5,227          | (1,227)   |
| Contributed to other government          | 500                        | 500                     | -              | 500   |
| Dues and subscriptions                   | 2,100                      | 2,100                   | 1,883          | 217   |
| Miscellaneous                            | 2,000                      | 2,000                   | 972            | 1,028   |
| <b>Total financial and aministration</b> | <u>131,455</u>             | <u>131,455</u>          | <u>132,950</u> | <u>(1,495)</u>  |
| <b>Buildings and grounds:</b>            |                            |                         |                |   |
| Salaries                                 | 3,000                      | 3,000                   | 3,911          | (911)   |
| Fringe benefits                          | 230                        | 230                     | 296            | (66)  |
| Insurance                                | 600                        | 600                     | 359            | 241   |
| Utilities                                | 6,500                      | 6,500                   | 7,464          | (964)   |
| Repairs and maintenance                  | 3,000                      | 3,000                   | 2,819          | 181   |
| <b>Total buildings and grounds</b>       | <u>13,330</u>              | <u>13,330</u>           | <u>14,849</u>  | <u>(1,519)</u>  |
| <b>Total general government</b>          | <u>166,600</u>             | <u>166,600</u>          | <u>167,165</u> | <u>(565)</u>  |

(Continued)

**VILLAGE OF SEBEWAING, MICHIGAN**

**GENERAL FUND  
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2005**

|                              | <u>ORIGINAL<br/>BUDGET</u> | <u>FINAL<br/>BUDGET</u> | <u>ACTUAL</u>  | <u>VARIANCE WITH<br/>FINAL BUDGET -<br/>FAVORABLE<br/>(UNFAVORABLE)</u> |
|------------------------------|----------------------------|-------------------------|----------------|---|
| <b>Public safety:</b>        |                            |                         |                |   |
| Salaries                     | 164,800                    | 164,800                 | 178,290        | (13,490)  |
| Fringe benefits              | 53,535                     | 53,535                  | 65,599         | (12,064)  |
| Supplies                     | 2,300                      | 2,300                   | 1,645          | 655   |
| Gasoline                     | 4,500                      | 4,500                   | 6,504          | (2,004)   |
| Uniforms and laundry         | 1,200                      | 1,200                   | 1,457          | (257)   |
| Professional services        | 7,000                      | 7,000                   | 3,080          | 3,920   |
| Contracted services          | 1,500                      | 1,500                   | 1,431          | 69  |
| Telephone                    | 2,000                      | 2,000                   | 1,830          | 170   |
| Insurance                    | 25,000                     | 25,000                  | 21,122         | 3,878   |
| Repairs and maintenance      | 5,700                      | 5,700                   | 3,930          | 1,770   |
| Dues and subscriptions       | 250                        | 250                     | -              | 250   |
| Education and training       | 1,450                      | 1,450                   | 232            | 1,218   |
| Miscellaneous                | 1,115                      | 1,115                   | 1,493          | (378)   |
| <b>Total public safety</b>   | <u>270,350</u>             | <u>270,350</u>          | <u>286,613</u> | <u>(16,263)</u>   |
| <b>Public services:</b>      |                            |                         |                |   |
| Public lighting              | 33,000                     | 33,000                  | 31,386         | 1,614   |
| Sanitation                   | 82,620                     | 82,620                  | 68,240         | 14,380  |
| Salaries                     | 11,000                     | 11,000                  | 11,614         | (614)   |
| Fringe benefits              | 5,775                      | 5,775                   | 5,553          | 222   |
| Licensing                    | 500                        | 500                     | 552            | (52)  |
| Supplies                     | 2,500                      | 2,500                   | 1,825          | 675   |
| Materials                    | 3,800                      | 3,800                   | 4,152          | (352)   |
| Uniforms and gloves          | 2,000                      | 2,000                   | 1,416          | 584   |
| Professional services        | 1,000                      | 1,000                   | 825            | 175   |
| Contracted services          | 3,100                      | 3,100                   | 2,500          | 600   |
| Telephone                    | 2,400                      | 2,400                   | 2,155          | 245   |
| Transportation               | 100                        | 100                     | -              | 100   |
| Insurance                    | 2,477                      | 2,477                   | 1,512          | 965   |
| Utilities                    | 2,200                      | 2,200                   | 2,848          | (648)   |
| Equipment rental             | 3,000                      | 3,000                   | 3,200          | (200)   |
| Miscellaneous                | 3,500                      | 3,500                   | 1,415          | 2,085   |
| <b>Total public services</b> | <u>158,972</u>             | <u>158,972</u>          | <u>139,193</u> | <u>19,779</u>   |
| <b>Parks and recreation:</b> |                            |                         |                |   |
| Salaries                     | 35,300                     | 35,300                  | 24,548         | 10,752  |
| Fringe benefits              | 13,830                     | 13,830                  | 11,911         | 1,920   |
| Safety equipment             | 300                        | 300                     | 100            | 200   |
| Gasoline                     | 1,000                      | 1,000                   | 377            | 623   |
| Supplies                     | 2,000                      | 2,000                   | 2,268          | (268)   |
| Contracted services          | 1,750                      | 1,750                   | 945            | 805   |
| Recreation                   | 700                        | 700                     | 536            | 164   |
| Insurance                    | 3,500                      | 3,500                   | 3,705          | (205)   |
| Utilities                    | 2,350                      | 2,350                   | 3,422          | (1,072)   |

**VILLAGE OF SEBEWAING, MICHIGAN**

**GENERAL FUND  
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2005**

|  | <u>ORIGINAL<br/>BUDGET</u> | <u>FINAL<br/>BUDGET</u> | <u>ACTUAL</u>     | <u>VARIANCE WITH<br/>FINAL BUDGET -<br/>FAVORABLE<br/>(UNFAVORABLE)</u> |
|--|----------------------------|-------------------------|-------------------|---|
| <b>Parks and recreation (continued):</b>   |                            |                         |                   |   |
| Repairs and maintenance  | 8,000                      | 8,000                   | 4,764             | 3,236   |
| Miscellaneous  | 200                        | 200                     | 239               | (39)  |
| <b>Total parks and recreation</b>  | <u>68,930</u>              | <u>68,930</u>           | <u>52,815</u>     | <u>16,115</u>   |
| <b>Capital outlay</b>  | <u>77,102</u>              | <u>77,102</u>           | <u>31,289</u>     | <u>45,813</u>   |
| <b>TOTAL EXPENDITURES</b>  | <u>741,954</u>             | <u>741,954</u>          | <u>677,075</u>    | <u>64,879</u>   |
| <b>EXCESS OF REVENUE OVER<br/>EXPENDITURES</b>   | <u>12,914</u>              | <u>12,914</u>           | <u>19,231</u>     | <u>6,317</u>  |
| <b>OTHER FINANCING SOURCES (USES):</b>   |                            |                         |                   |   |
| Operating transfers in   | 11,000                     | 11,000                  | 11,000            |   |
| Operating transfers out  | (34,000)                   | (34,000)                | (36,592)          | (2,592)   |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>  | <u>(23,000)</u>            | <u>(23,000)</u>         | <u>(25,592)</u>   | <u>(2,592)</u>  |
| <b>EXCESS OF REVENUE AND OTHER<br/>SOURCES (UNDER) EXPENDITURES<br/>AND OTHER (USES)</b> | <u>(10,086)</u>            | <u>(10,086)</u>         | <u>(6,361)</u>    | <u>3,725</u>  |
| <b>FUND BALANCE - BEGINNING</b>  | 582,831                    | 582,831                 | 582,831           | -   |
| <b>FUND BALANCE - ENDING</b>   | <u>\$ 572,745</u>          | <u>\$ 572,745</u>       | <u>\$ 576,470</u> | <u>\$ 3,725</u>   |

## **SUPPLEMENTAL INFORMATION**

**VILLAGE OF SEBEWAING, MICHIGAN**

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
MARCH 31, 2005**

|   | <u>MAJOR<br/>STREET</u> | <u>LOCAL<br/>STREET</u> | <u>STREET</u>     | <u>TOTALS<br/>MARCH 31,</u> |                   |
|---|-------------------------|-------------------------|-------------------|-----------------------------|-------------------|
|   |                         |                         |                   | <u>2005</u>                 | <u>2004</u>       |
| <b><u>ASSETS</u></b>                      |                         |                         |                   |                             |                   |
| Cash                                      | \$ 1,600                | \$ 1,256                | \$ 23,122         | \$ 25,978                   | \$ 73,359         |
| Certificates of deposit                   | 8,000                   |                         | 130,000           | 138,000                     | 138,000           |
| Investments                               | 384                     | 8,728                   | 71,827            | 80,939                      | 30,174            |
| Accounts receivable                       | 19,048                  | 8,013                   |                   | 27,061                      | 28,594            |
| Accrued interest receivable               | 20                      |                         | 206               | 226                         | 113               |
| Prepaid insurance                         | 8,460                   | 3,647                   |                   | 12,107                      | 7,431             |
| Due from other funds                      |                         | 222                     |                   | 222                         | 222               |
| <b>TOTAL ASSETS</b>                       | <u>\$ 37,512</u>        | <u>\$ 21,866</u>        | <u>\$ 225,155</u> | <u>\$ 284,533</u>           | <u>\$ 277,893</u> |
| <b><u>LIABILITIES AND FUND EQUITY</u></b> |                         |                         |                   |                             |                   |
| <b><u>CURRENT LIABILITIES:</u></b>        |                         |                         |                   |                             |                   |
| Accounts payable                          | \$ 17,581               | \$ 3,859                |                   | \$ 21,440                   |                   |
| Due to other funds                        | <u>222</u>              | <u>-</u>                |                   | <u>222</u>                  | <u>\$ 222</u>     |
| <b>TOTAL LIABILITIES</b>                  | 17,803                  | 3,859                   |                   | 21,662                      | 222               |
| <b><u>FUND BALANCE:</u></b>               |                         |                         |                   |                             |                   |
| Undesignated                              | 19,709                  | 18,007                  | \$ 225,155        | 262,871                     | 277,671           |
| <b>TOTAL LIABILITIES AND FUND EQUITY</b>  | <u>\$ 37,512</u>        | <u>\$ 21,866</u>        | <u>\$ 225,155</u> | <u>\$ 284,533</u>           | <u>\$ 277,893</u> |

**VILLAGE OF SEBEWAING, MICHIGAN**

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCE  
YEAR ENDED MARCH 31, 2005**

|   | <u>MAJOR<br/>STREET</u> | <u>LOCAL<br/>STREET</u> | <u>STREET</u>     | <u>TOTALS<br/>MARCH 31,</u> |                   |
|---|-------------------------|-------------------------|-------------------|-----------------------------|-------------------|
|   |                         |                         |                   | <u>2005</u>                 | <u>2004</u>       |
| <b>REVENUE:</b>   |                         |                         |                   |                             |                   |
| Taxes   |                         |                         | \$ 124,213        | \$ 124,213                  | \$ 120,441        |
| Intergovernmental   | \$ 121,782              | \$ 43,925               | 36,253            | 201,960                     | 188,476           |
| Miscellaneous   | 4,812                   | 427                     | 4,096             | 9,335                       | 21,674            |
| <b>TOTAL REVENUE</b>  | <u>126,594</u>          | <u>44,352</u>           | <u>164,562</u>    | <u>335,508</u>              | <u>330,591</u>    |
| <b>EXPENDITURES:</b>  |                         |                         |                   |                             |                   |
| Streets   | 187,592                 | 151,061                 |                   | 338,653                     | 419,374           |
| Miscellaneous   |                         |                         | 650               | 650                         | 650               |
| <b>TOTAL EXPENDITURES</b>   | <u>187,592</u>          | <u>151,061</u>          | <u>650</u>        | <u>339,303</u>              | <u>420,024</u>    |
| <b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>  | <u>(60,998)</u>         | <u>(106,709)</u>        | <u>163,912</u>    | <u>(3,795)</u>              | <u>(89,433)</u>   |
| <b>OTHER FINANCING SOURCES (USES):</b>  |                         |                         |                   |                             |                   |
| Operating transfers in  | 40,000                  | 101,000                 |                   | 141,000                     | 208,263           |
| Operating transfers out   |                         |                         | (152,000)         | (152,000)                   | (219,263)         |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>   | <u>40,000</u>           | <u>101,000</u>          | <u>(152,000)</u>  | <u>(11,000)</u>             | <u>(11,000)</u>   |
| <b>EXCESS OF REVENUE AND OTHER SOURCES OVER<br/>(UNDER) EXPENDITURES AND OTHER (USES)</b> | <u>(20,998)</u>         | <u>(5,709)</u>          | <u>11,912</u>     | <u>(14,795)</u>             | <u>(100,433)</u>  |
| <b>FUND BALANCE - BEGINNING OF YEAR</b>   | 40,707                  | 23,716                  | 213,243           | 277,666                     | 378,104           |
| <b>FUND BALANCE - END OF YEAR</b>   | <u>\$ 19,709</u>        | <u>\$ 18,007</u>        | <u>\$ 225,155</u> | <u>\$ 262,871</u>           | <u>\$ 277,671</u> |



**VILLAGE OF SEBEWAING, MICHIGAN**

**MAJOR STREET FUND  
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2005**

|                                     | <u>ORIGINAL<br/>BUDGET</u> | <u>FINAL<br/>BUDGET</u> | <u>ACTUAL</u>  | <u>VARIANCE WITH<br/>FINAL BUDGET -<br/>FAVORABLE<br/>(UNFAVORABLE)</u> |
|-------------------------------------|----------------------------|-------------------------|----------------|---|
| <b>REVENUE:</b>                     |                            |                         |                |   |
| Intergovernmental:                  |                            |                         |                |   |
| Gas and weight tax                  | \$ 103,500                 | \$ 103,500              | \$ 103,140     | \$ (360)  |
| Metro Act Annual Fee                |                            |                         | 6,433          | 6,433   |
| Build Michigan road program         |                            |                         | 3,418          | 3,418   |
| Sweeping                            | 3,000                      | 3,000                   | 8,791          | 5,791   |
| Total intergovernmental             | 106,500                    | 106,500                 | 121,782        | 15,282  |
| Miscellaneous:                      |                            |                         |                |   |
| Special assessment                  |                            |                         | 4,259          | 4,259   |
| Interest income                     | 700                        | 700                     | 553            | (147)   |
| <b>TOTAL REVENUE</b>                | <u>107,200</u>             | <u>107,200</u>          | <u>126,594</u> | <u>19,394</u>   |
| <b>EXPENDITURES:</b>                |                            |                         |                |   |
| <b>Routine maintenance:</b>         |                            |                         |                |   |
| Labor                               | 25,000                     | 25,000                  | 28,286         | (3,286)   |
| Materials                           | 5,000                      | 5,000                   | 2,602          | 2,398   |
| Engineering fees                    | -                          | -                       | 1,750          | (1,750)   |
| Contracted services                 | 24,000                     | 24,000                  | 26,709         | (2,709)   |
| Equipment rental                    | 35,000                     | 35,000                  | 32,427         | 2,573   |
| <b>Total routine maintenance</b>    | <u>89,000</u>              | <u>89,000</u>           | <u>91,775</u>  | <u>(2,775)</u>  |
| <b>Preservation of streets:</b>     |                            |                         |                |   |
| Engineering fees                    |                            |                         | 43,401         | (43,401)  |
| <b>Construction of bridge:</b>      |                            |                         |                |   |
| Labor                               | 1,500                      | 1,500                   | 188            | 1,312   |
| Materials                           | 500                        | 500                     | -              | 500   |
| Engineering fees                    | 500                        | 500                     | -              | 500   |
| Contracted services                 | 1,500                      | 1,500                   | 1,062          | 438   |
| Equipment rental                    | 500                        | 500                     | 29             | 471   |
| <b>Total construction of bridge</b> | <u>4,500</u>               | <u>4,500</u>            | <u>1,279</u>   | <u>3,221</u>  |
| <b>Trees:</b>                       |                            |                         |                |   |
| Labor                               | 1,000                      | 1,000                   | 630            | 370   |
| Materials                           | 150                        | 150                     | 55             | 95  |
| Contracted services                 | 1,000                      | 1,000                   | 120            | 880   |
| Equipment rental                    | 500                        | 500                     | 529            | (29)  |
| <b>Total trees</b>                  | <u>2,650</u>               | <u>2,650</u>            | <u>1,334</u>   | <u>1,316</u>  |

**VILLAGE OF SEBEWAING, MICHIGAN**

**MAJOR STREET FUND  
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2005**

|  | <u>ORIGINAL<br/>BUDGET</u> | <u>FINAL<br/>BUDGET</u> | <u>ACTUAL</u>    | <u>VARIANCE WITH<br/>FINAL BUDGET -<br/>FAVORABLE<br/>(UNFAVORABLE)</u> |
|--|----------------------------|-------------------------|------------------|---|
| <b>Traffic services:</b>   |                            |                         |                  |   |
| Labor  | 1,000                      | 1,000                   | 261              | 739   |
| Materials  | 1,000                      | 1,000                   | 1,111            | (111)   |
| Equipment rental   | 750                        | 750                     | 181              | 569   |
| <b>Total traffic services</b>  | <u>2,750</u>               | <u>2,750</u>            | <u>1,553</u>     | <u>1,197</u>  |
| <b>Winter maintenance:</b>   |                            |                         |                  |   |
| Labor  | 8,000                      | 8,000                   | 8,819            | (819)   |
| Materials  | 2,500                      | 2,500                   | 2,665            | (165)   |
| Equipment rental   | 11,500                     | 11,500                  | 12,059           | (559)   |
| <b>Total winter maintenance</b>  | <u>22,000</u>              | <u>22,000</u>           | <u>23,543</u>    | <u>(1,543)</u>  |
| <b>Administration:</b>   |                            |                         |                  |   |
| Labor  | 3,000                      | 3,000                   | 4,160            | (1,160)   |
| Fringe benefits  | 16,700                     | 16,700                  | 16,110           | 590   |
| Professional services  | 750                        | 750                     | 750              | -   |
| Insurance  | 4,200                      | 4,200                   | 3,687            | 513   |
| <b>Total administration</b>  | <u>24,650</u>              | <u>24,650</u>           | <u>24,707</u>    | <u>(57)</u>   |
| <b>TOTAL EXPENDITURES</b>  | <u>145,550</u>             | <u>145,550</u>          | <u>187,592</u>   | <u>(42,042)</u>   |
| <b>EXCESS OF REVENUE (UNDER)<br/>EXPENDITURES</b>                        | <u>(38,350)</u>            | <u>(38,350)</u>         | <u>(60,998)</u>  | <u>(22,648)</u>   |
| <b>OTHER FINANCING SOURCES:</b>  |                            |                         |                  |   |
| Operating transfers in   | 40,000                     | 40,000                  | 40,000           | -   |
| <b>EXCESS OF REVENUE AND OTHER SOURCES<br/>OVER (UNDER) EXPENDITURES</b> | <u>1,650</u>               | <u>1,650</u>            | <u>(20,998)</u>  | <u>(22,648)</u>   |
| <b>FUND BALANCE - BEGINNING OF YEAR</b>                                  | <u>40,707</u>              | <u>40,707</u>           | <u>40,707</u>    |   |
| <b>FUND BALANCE - END OF YEAR</b>  | <u>\$ 42,357</u>           | <u>\$ 42,357</u>        | <u>\$ 19,709</u> | <u>\$ (22,648)</u>  |

**VILLAGE OF SEBEWAING, MICHIGAN**

**LOCAL STREET FUND  
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2005**

|                                      | <u>ORIGINAL<br/>BUDGET</u> | <u>FINAL<br/>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE WITH<br/>FINAL BUDGET -<br/>FAVORABLE<br/>(UNFAVORABLE)</u> |
|--------------------------------------|----------------------------|-------------------------|---------------|---|
| <b>REVENUE:</b>                      |                            |                         |               |   |
| Intergovernmental:                   |                            |                         |               |   |
| Gas and weight tax                   | \$ 40,100                  | \$ 40,100               | \$ 42,515     | \$ 2,415  |
| Build Michigan road program          |                            |                         | 1,410         | 1,410   |
| Miscellaneous:                       |                            |                         |               |   |
| Interest income                      | 500                        | 500                     | 427           | (73)  |
| <b>TOTAL REVENUE</b>                 | <u>40,600</u>              | <u>40,600</u>           | <u>44,352</u> | <u>3,752</u>  |
| <b>EXPENDITURES:</b>                 |                            |                         |               |   |
| <b>Preservation of streets:</b>      |                            |                         |               |   |
| Labor                                | 1,000                      | 1,000                   | 44            | 956   |
| Materials                            | 500                        | 500                     | -             | 500   |
| Engineering fees                     | 18,000                     | 18,000                  | 25,190        | (7,190)   |
| Contracted services                  | 1,000                      | 1,000                   | -             | 1,000   |
| Equipment rental                     | 500                        | 500                     | -             | 500   |
| <b>Total preservation of streets</b> | <u>21,000</u>              | <u>21,000</u>           | <u>25,234</u> | <u>(4,234)</u>  |
| <b>Routine maintenance:</b>          |                            |                         |               |   |
| Labor                                | 30,000                     | 30,000                  | 29,509        | 491   |
| Materials                            | 5,000                      | 5,000                   | 3,460         | 1,540   |
| Engineering fees                     | -                          | -                       | 1,750         | (1,750)   |
| Contracted services                  | 22,000                     | 22,000                  | 20,600        | 1,400   |
| Equipment rental                     | 30,000                     | 30,000                  | 29,941        | 59  |
| <b>Total routine maintenance</b>     | <u>87,000</u>              | <u>87,000</u>           | <u>85,260</u> | <u>1,740</u>  |
| <b>Trees:</b>                        |                            |                         |               |   |
| Labor                                | 1,000                      | 1,000                   | 1,020         | (20)  |
| Materials                            | 200                        | 200                     | 15            | 185   |
| Contracted services                  | 1,000                      | 1,000                   | 120           | 880   |
| Equipment rental                     | 800                        | 800                     | 747           | 53  |
| <b>Total trees</b>                   | <u>3,000</u>               | <u>3,000</u>            | <u>1,902</u>  | <u>1,098</u>  |
| <b>Traffic services:</b>             |                            |                         |               |   |
| Labor                                | 1,000                      | 1,000                   | 809           | 191   |
| Materials                            | 1,000                      | 1,000                   | 829           | 171   |
| Equipment rental                     | 700                        | 700                     | 517           | 183   |
| <b>Total traffic services</b>        | <u>2,700</u>               | <u>2,700</u>            | <u>2,156</u>  | <u>544</u>  |
| <b>Winter maintenance:</b>           |                            |                         |               |   |
| Labor                                | 5,000                      | 5,000                   | 4,319         | 681   |
| Materials                            | 500                        | 500                     | -             | 500   |
| Equipment rental                     | 7,500                      | 7,500                   | 7,311         | 189   |
| <b>Total winter maintenance</b>      | <u>13,000</u>              | <u>13,000</u>           | <u>11,630</u> | <u>1,370</u>  |

(Continued)

**VILLAGE OF SEBEWAING, MICHIGAN**

**LOCAL STREET FUND  
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2005**

|  | <u>ORIGINAL<br/>BUDGET</u> | <u>FINAL<br/>BUDGET</u> | <u>ACTUAL</u>    | <u>VARIANCE WITH<br/>FINAL BUDGET -<br/>FAVORABLE<br/>(UNFAVORABLE)</u> |
|--|----------------------------|-------------------------|------------------|---|
| <b>Administration:</b>   |                            |                         |                  |   |
| Labor  | 3,000                      | 3,000                   | 4,044            | (1,044)   |
| Fringe benefits  | 17,200                     | 17,200                  | 16,345           | 855   |
| Professional services  | 750                        | 750                     | 750              | -   |
| Insurance  | <u>3,050</u>               | <u>3,050</u>            | <u>3,740</u>     | <u>(690)</u>  |
| <b>Total administration</b>  | <u>24,000</u>              | <u>24,000</u>           | <u>24,879</u>    | <u>(879)</u>  |
| <b>TOTAL EXPENDITURES</b>  | <u>150,700</u>             | <u>150,700</u>          | <u>151,061</u>   | <u>(361)</u>  |
| <b>EXCESS OF REVENUE (UNDER)<br/>EXPENDITURES</b>                        | <u>(110,100)</u>           | <u>(110,100)</u>        | <u>(106,709)</u> | <u>3,391</u>  |
| <b>OTHER FINANCING SOURCES:</b>  |                            |                         |                  |   |
| Operating transfers in   | 112,000                    | 112,000                 | 101,000          | (11,000)  |
| <b>EXCESS OF REVENUE AND OTHER SOURCES<br/>OVER (UNDER) EXPENDITURES</b> | <u>1,900</u>               | <u>1,900</u>            | <u>(5,709)</u>   | <u>(7,609)</u>  |
| <b>FUND BALANCE - BEGINNING OF YEAR</b>                                  | <u>23,716</u>              | <u>23,716</u>           | <u>23,716</u>    |   |
| <b>FUND BALANCE - END OF YEAR</b>  | <u>\$ 25,616</u>           | <u>\$ 25,616</u>        | <u>\$ 18,007</u> | <u>\$ (7,609)</u>   |

**VILLAGE OF SEBEWAING, MICHIGAN**

**STREET FUND  
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2005**

|   | <u>ORIGINAL<br/>BUDGET</u> | <u>FINAL<br/>BUDGET</u> | <u>ACTUAL</u>     | <u>VARIANCE WITH<br/>FINAL BUDGET -<br/>FAVORABLE<br/>(UNFAVORABLE)</u> |
|---|----------------------------|-------------------------|-------------------|---|
| <b>REVENUE:</b>   |                            |                         |                   |   |
| Taxes:  |                            |                         |                   |   |
| Current property taxes  | \$ 128,800                 | \$ 128,800              | \$ 124,213        | \$ (4,587)  |
| Intergovernmental:  |                            |                         |                   |   |
| County road tax   | 32,400                     | 32,400                  | 31,179            | (1,221)   |
| State shared revenue  | 5,070                      | 5,070                   | 5,074             | 4   |
| Miscellaneous:  |                            |                         |                   |   |
| Interest on investments   | <u>4,000</u>               | <u>4,000</u>            | <u>4,096</u>      | <u>96</u>   |
| <b>TOTAL REVENUE</b>  | <u>170,270</u>             | <u>170,270</u>          | <u>164,562</u>    | <u>(5,708)</u>  |
| <b>EXPENDITURES:</b>  |                            |                         |                   |   |
| Audit   | 650                        | 650                     | 650               |   |
| <b>EXCESS OF REVENUE OVER<br/>EXPENDITURES</b>                  | <u>169,620</u>             | <u>169,620</u>          | <u>163,912</u>    | <u>(5,708)</u>  |
| <b>OTHER FINANCING (USES):</b>                                  |                            |                         |                   |   |
| Operating transfers out   | (163,000)                  | (163,000)               | (152,000)         | 11,000  |
| <b>EXCESS OF REVENUE OVER<br/>EXPENDITURES AND OTHER (USES)</b> | <u>6,620</u>               | <u>6,620</u>            | <u>11,912</u>     | <u>5,292</u>  |
| <b>FUND BALANCE - BEGINNING OF YEAR</b>                         | 213,243                    | 213,243                 | 213,243           |   |
| <b>FUND BALANCE - END OF YEAR</b>                               | <u>\$ 219,863</u>          | <u>\$ 219,863</u>       | <u>\$ 225,155</u> | <u>\$ 5,292</u>   |

**VILLAGE OF SEBEWAING, MICHIGAN**

**SANITARY SEWER FUND**

**SCHEDULE OF REVENUE AND EXPENSES**

**BUDGET AND ACTUAL**

**YEAR ENDED MARCH 31, 2005**

|                                   | <u>FINAL<br/>BUDGET</u> | <u>ACTUAL</u>     | <u>VARIANCE -<br/>FAVORABLE<br/>(UNFAVORABLE)</u> |
|-----------------------------------|-------------------------|-------------------|---|
| <b>OPERATING REVENUE:</b>         |                         |                   |   |
| Charges for services              | \$ 240,105              | \$ 251,192        | \$ 11,087   |
| Current property taxes            | 99,700                  | 99,812            | 112   |
| Intergovernmental                 | 5,070                   | 5,074             | 4   |
| <b>TOTAL OPERATING REVENUE</b>    | <u>344,875</u>          | <u>356,078</u>    | <u>11,203</u>                                     |
| <b>OPERATING EXPENSES:</b>        |                         |                   |   |
| Salaries and wages                | 70,200                  | 75,485            | (5,285)   |
| Employee benefits                 | 33,070                  | 30,450            | 2,620   |
| Laboratory tests                  | 4,000                   | 4,821             | (821)   |
| Audit fees                        | 3,400                   | 3,400             |   |
| Legal fees                        | 2,000                   | 125               | 1,875   |
| Printing and publishing           | 3,500                   | 3,943             | (443)   |
| Insurance                         | 5,300                   | 5,593             | (293)   |
| Lift station expense              | 4,700                   | 4,148             | 552   |
| Maintenance and repair            | 35,500                  | 33,171            | 2,329   |
| Equipment rental                  | 14,000                  | 14,341            | (341)   |
| Miscellaneous                     | 3,400                   | 1,351             | 2,049   |
| Depreciation                      | 55,000                  | 56,712            | (1,712)   |
| Capital outlay                    | 70,000                  |                   | 70,000  |
| <b>TOTAL OPERATING EXPENSES</b>   | <u>304,070</u>          | <u>233,540</u>    | <u>70,530</u>                                     |
| <b>OPERATING INCOME</b>           | <u>40,805</u>           | <u>122,538</u>    | <u>81,733</u>                                     |
| <b>NONOPERATING REVENUE:</b>      |                         |                   |   |
| Interest income                   | 12,000                  | 20,788            | 8,788   |
| Sale of fixed assets              |                         | 9,331             | 9,331   |
| Miscellaneous                     | 1,500                   | 16                | (1,484)   |
| <b>TOTAL NONOPERATING REVENUE</b> | <u>13,500</u>           | <u>30,135</u>     | <u>16,635</u>                                     |
| <b>CHANGE IN NET ASSETS</b>       | <u>\$ 54,305</u>        | <u>\$ 152,673</u> | <u>\$ 98,368</u>                                  |

**VILLAGE OF SEBEWAING, MICHIGAN**

**M-25 WATER AND SEWER SYSTEM FUND  
SCHEDULE OF REVENUE AND EXPENSES  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2005**

|   | <u>FINAL<br/>BUDGET</u> | <u>ACTUAL</u>    | <u>VARIANCE -<br/>FAVORABLE<br/>(UNFAVORABLE)</u> |
|---|-------------------------|------------------|---|
| <b>OPERATING REVENUE:</b>                               |                         |                  |   |
| Charges for services                                    | \$ 8,700                | \$ 8,190         | \$ (510)  |
| <b>OPERATING EXPENSES:</b>                              |                         |                  |   |
| Depreciation  | 8,400                   | 8,397            | 3   |
| <b>OPERATING INCOME (LOSS)</b>                          | <u>300</u>              | <u>(207)</u>     | <u>(507)</u>                                      |
| <b>NONOPERATING REVENUE (EXPENSES):</b>                 |                         |                  |   |
| Interest income   | 500                     | 3,355            | 2,855   |
| Bond interest and fees                                  | (22,703)                | (21,935)         | 768   |
| Amortization  | <u>          </u>       | <u>(1,768)</u>   | <u>(1,768)</u>                                    |
| <b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>            | <u>(22,203)</u>         | <u>(20,348)</u>  | <u>1,855</u>                                      |
| <b>INCOME (LOSS) BEFORE OTHER FINANCING<br/>SOURCES</b> | <u>(21,903)</u>         | <u>(20,555)</u>  | <u>1,348</u>                                      |
| <b>OTHER FINANCING SOURCES:</b>                         |                         |                  |   |
| Operating transfer in                                   | 34,000                  | 36,593           | 2,593   |
| <b>CHANGE IN NET ASSETS</b>                             | <u>\$ 12,097</u>        | <u>\$ 16,038</u> | <u>\$ 3,941</u>                                   |

**VILLAGE OF SEBEWAING, MICHIGAN**

**INTERNAL SERVICE FUND  
SCHEDULE OF REVENUE AND EXPENSES  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2005**

|                                   | <u>FINAL<br/>BUDGET</u> | <u>ACTUAL</u>     | <u>VARIANCE -<br/>FAVORABLE<br/>(UNFAVORABLE)</u> |
|-----------------------------------|-------------------------|-------------------|---|
| <b>OPERATING REVENUE:</b>         |                         |                   |   |
| Charges for services              | <u>\$ 104,750</u>       | <u>\$ 101,284</u> | <u>\$ (3,466)</u>                                 |
| <br><b>OPERATING EXPENSES:</b>    |                         |                   |   |
| Salaries and wages                | 13,600                  | 11,114            | 2,486   |
| Employee benefits                 | 5,650                   | 5,258             | 392   |
| Operating supplies                | 1,500                   | 377               | 1,123   |
| Gas and oil                       | 7,000                   | 9,740             | (2,740)   |
| Audit fees                        | 775                     | 775               |   |
| Insurance                         | 6,900                   | 8,773             | (1,873)   |
| Maintenance and repair            | 20,000                  | 12,105            | 7,895   |
| Depreciation                      | <u>19,000</u>           | <u>43,397</u>     | <u>(24,397)</u>                                   |
| <b>TOTAL OPERATING EXPENSES</b>   | <u>74,425</u>           | <u>91,539</u>     | <u>(17,114)</u>                                   |
| <br><b>OPERATING INCOME</b>       | <u>30,325</u>           | <u>9,745</u>      | <u>(20,580)</u>                                   |
| <br><b>NONOPERATING REVENUE:</b>  |                         |                   |   |
| Interest income                   | 1,200                   | 3,143             | 1,943   |
| Sale of fixed assets              | <u></u>                 | <u>5,769</u>      | <u>5,769</u>                                      |
| <b>TOTAL NONOPERATING REVENUE</b> | <u>1,200</u>            | <u>8,912</u>      | <u>7,712</u>                                      |
| <br><b>CHANGE IN NET ASSETS</b>   | <u>\$ 31,525</u>        | <u>\$ 18,657</u>  | <u>\$ (12,868)</u>                                |



**VILLAGE OF SEBEWAING, MICHIGAN**

**SCHEDULE OF M-25 SEWER AND WATER CONSTRUCTION BONDS  
AT MARCH 31, 2005**

| MATURITY |            | INTEREST |           |            |
|----------|------------|----------|-----------|------------|
| DATE     | PRINCIPAL  | RATE     | AMOUNT    | TOTAL      |
| 9/1/05   | \$ 25,000  | 7.00%    | \$ 10,277 | \$ 35,277  |
| 3/1/06   |            |          | 9,401     | 9,401      |
| 9/1/06   | 30,000     | 7.05     | 9,401     | 39,401     |
| 3/1/07   |            |          | 8,344     | 8,344      |
| 9/1/07   | 35,000     | 7.05     | 8,344     | 43,344     |
| 3/1/08   |            |          | 7,110     | 7,110      |
| 9/1/08   | 40,000     | 7.05     | 7,110     | 47,110     |
| 3/1/09   |            |          | 5,700     | 5,700      |
| 9/1/09   | 40,000     | 7.10     | 5,700     | 45,700     |
| 3/1/10   |            |          | 4,280     | 4,280      |
| 9/1/10   | 40,000     | 7.10     | 4,280     | 44,280     |
| 3/1/11   |            |          | 2,860     | 2,860      |
| 9/1/11   | 40,000     | 7.15     | 2,860     | 42,860     |
| 3/1/12   |            |          | 1,430     | 1,430      |
| 9/1/12   | 40,000     | 7.15     | 1,430     | 41,430     |
| TOTALS   | \$ 290,000 |          | \$ 88,527 | \$ 378,527 |